

Bank of England  
denies Senate  
claims over BCCI

The Bank of England yesterday fiercely denied accusations by US senators that it failed to regulate the Bank of Credit and Commerce International properly, condemning part of the criticism as "misconceived and offensive".

In an unusually strong public statement, the Bank made a detailed rebuttal of charges in a Congressional inquiry which accused it of "wholly inadequate" regulation of BCCI. Page 6

Armetraud Alan Sugar, chairman and founder, confirmed he was considering taking his personal computers and consumer electronics company private again as it reported a full-year loss for the first time in its history. Page 24

Record trade surplus: Japan's current account surplus rose by \$7.1bn (24bn) in August, up 23.2 per cent on the previous August and the largest surplus ever recorded for the month. Page 3

Solchaga calls for pooling of reserves. European Community member states should consider pooling their foreign exchange reserves as part of an urgent package of measures to save the European Monetary System. Carlos Solchaga, the Spanish economy minister (left), said. Page 2

Fisons: Stephen Atwood, head of US operations at the troubled pharmaceuticals, scientific instruments and horticultural products company, has resigned, following the group's failure to clinch the reintroduction of two of its withdrawn products in the American market. Page 10

Tryg-Hansa SPP: Sweden's leading insurance group, plunged into a SKr5.7bn (257.8m) operating loss for the first eight months of the year. This compares with a SKr1.09bn profit for the same period of 1991. Page 12

Trafalgar House: Institutional shareholders at the property, construction and engineering group, under siege from Hongkong Land, indicated they were unlikely to sell more shares. Page 10

Renault and Volvo, in a significant move, are to develop jointly a new range of top-of-the-line executive cars to be sold in Europe from the end of the decade. Page 12

Times cuts jobs: More than 20 journalists on The Times lost their jobs as the new editor, Peter Stothard, prepared to change the newspaper's format. Page 10

Roquefort, one of France's best known smelly cheeses, escaped from being Swiss when Nestle, the food multinational, sold a controlling slice to Boenner, a leading French cheese supplier, for FFr883m (110m). Page 12

Amoco: Poland granted its first post war exploration concession to the US petroleum company, which is to spend \$30m (211.5m) on looking for oil and gas south of Warsaw and east of Lublin near the former Soviet frontier. Page 2

Setback as interest rate hopes fade. The London stock market paid dearly for the interest rate optimism which had sustained it earlier in the week. Gains in share prices were sharply reversed as sterling crumbled after hopes of rate cuts in Germany and in the US were dashed. The two-week equity trading account ended on a sour note with the London stocks. Page 15

Coal job fears: Michael Heseltine, the president of the board of trade, held a meeting with prime minister John Major amid growing worries in the government over the economic impact of the 30,000 job cuts expected when British Coal is privatised next year. Page 24

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Interim president's first actions send shock waves through financial markets

## Choice of unknown minister stuns Brazil

By Christine Lamb in Brasilia

MR Itamar Franco took office as interim president of Brazil yesterday announcing a 30-day emergency plan to combat inflation and naming a finance minister whose appointment sent shock waves through the financial markets.

The surprise choice of Mr Gustavo Krause, a little known congressman from Brazil's north-east, to run the world's ninth largest economy, left businessmen and traders in the financial centre of São Paulo apoplectic and put paid to the euphoria caused by Tuesday's congressional vote to impeach President Fernando Collor.

The main São Paulo index fell 7 per cent on the news, closing at lunchtime 5.8 per cent down.

"In a crisis like this to name some-

one so mediocre is irresponsible to say the least," says Mr Roger Wright from Banco Garantia, "frankly speaking it could not be worse."

Mr Krause's profile differs radically to that of his respected predecessor Mr Marcilio Marques Moreira. A banker and former ambassador to the US, Mr Moreira won acclaim for bringing some stability to the economy and returning Brazil to the international financial community by securing accords with the International Monetary Fund, the Paris Club and creditor banks over its \$44bn commercial debt.

Mr Krause is a lawyer and politician from the Liberal Front (PFL) whose only experience is as Mayor of Recife, the capital of Pernambuco and state finance secretary.

"The charitable interpretation is

that he's more of a political figure who'll employ competent technicians," said Mr Robert Barclay, head of Baring securities in Brazil.

Mr Franco had been widely expected to name a well known businessman or politician from the south of Brazil where the country's wealth is concentrated. However the leaders of the wide coalition of parties supporting him could not agree on a name and after two days of bickering finally left the choice to Mr Franco.

Mr Krause faces the immediate task of tackling inflation which this week hit 25 per cent a month, and renegotiating an agreement with the IMF, a task made harder by his complete anonymity outside Brazil. Brazil has consistently failed to meet targets of the accord signed in January and a new accord is essential for the com-

pletion of a full agreement over its commercial debt.

He will share the economy ministry with Mr Paulo Haddad, the new planning minister. Mr Haddad is an economist from Mr Franco's home state.

Yesterday Mr Haddad unveiled a 15-point 90-day plan to combat inflation and restart economic growth. Guaranteeing there would be no shock plan or price freeze, he called for fiscal reform and a social pact. He dashed business hopes of a reduction in interest rates from current levels of 33 per cent a month saying this would be "extremely dangerous while inflation is so high". Instead he hopes to negotiate a reduction in interest rates and an increase in government investment in return for commitments to maintain jobs and stabilise prices.

The negative reaction to the new economics team is an unfortunate start for Mr Franco, who assumed office yesterday, promising no corruption in his government.

Plenty of free lunches in Kuwait campaign

By Mark Nicholson  
In Kuwait City

ELECTIONS are an inflationary business in Kuwait. For one thing, the cost of buying a vote has rocketed since the last poll in 1986 – and the price of sheep has doubled.

No one admits to buying votes or to having been bought, of course. But equally, everyone believes that it is happening, albeit on a small scale. By common reckoning the going rate today is anything up to KD3,000 (\$6,000) a vote, against a very modest KD300 for the last elections.

"That's more inflationary than it looks," remarks one local economist, not altogether seriously, "given that there are 20,000 more voters in this election."

In Kuwait, there are just 25 constituencies, 50 seats in the National Assembly and only 81,400 voters. Whatever the truth to vote-buying accusations, therefore, it is clear that a lot of money could go a long way towards securing a candidate's election.

Most constituencies average only around 2,000-3,000 voters and the smallest, on the country's southern border, has just 896, along with five candidates and, doubtless, a delighted returning officer.

But small constituencies do not, in Kuwait at least, make for cheap campaigns. By one western embassy's calculation the average candidate has spent around KD160,000 on his campaign, and some probably spend much more than that, though an FT straw poll would put the average expenditure at nearer KD50,000-KD60,000. For comparison, British candidates are allowed to spend £4,330 plus an allowance of up to 4.9p per voter.

Kuwait has no election rules limiting spending or sources of funds and most candidates finance themselves. Except, allege opposition groups, some pro-government candidates. "Strange things happen," says Mr Abdulla Nibari, leader of the Kuwait Democratic Forum (KDF), a broadly liberal opposition group. "Some candidates who are known to have no wealth of their own – their expenditure is surprisingly extravagant."

But then Mr Nibari's group is campaigning on political idealism and a shoestring. He reckons the total cost of running the KDF's nine candidates will be no more than KD50,000 in total, with volunteers pitching in their time, spare telephones, portable cabins and anything else which will help.

For most candidates the money goes largely on buying newspaper advertisements, erecting the modest placards which line the streets in Kuwait City, hiring staff and setting up the Bedouin-style tents which all candidates use as campaign and rally headquarters.

Which is where the price of sheep comes in.

Most campaign tents offer some refreshment. At a modest KDF tent in the Jahri constituency, Mr Mohammed al Fadil, the campaign manager, explains that they can run only to felafel and soft drinks. "We're a bit tired of felafel after three weeks," he adds.

Less than a hundred metres up the road, however, a rival candidate, Mr Ali Omar, offers in the shade of a 60-metre-long tent a 60-metre-long buffet. Waistcoated waiters – just some of Mr Omar's 300 campaign staff, a number equivalent to 10 per cent of his constituency's electorate – preside over tables of steaming lamb and rice dishes. From a separate mini-marquee, waiters bustle back and forth bearing heavy trays of orange and grapefruit juice, Pepsi and tea.

The bigger campaigns, and Mr Omar's is not the biggest, serve hundreds of meals every night to the thousands of voters who gather to chew over the issues. And at Kuwait's main livestock market at Shuwaikh, traders are delighted.

"Business is profitable," explained one dealer who yesterday shifted 100 Syrian sheep at a mark-up he put at 100 per cent. Over the three weeks of the campaign, the price of an average sheep has risen from KD25-35 to upwards of KD60.

At least one Shuwaikh punter explained yesterday that, at KD1 a pound, he was sticking to frozen lamb until the votes were in on Monday.



Itamar Franco's surprise selection of finance minister left markets in shock

## Japan sees record trade surplus

By Charles Leadbitter  
in Tokyo

JAPAN'S current account surplus rose by \$7.1bn (£4bn) in August, up 25.2 per cent on the previous August and the largest surplus ever recorded for the month.

The surplus this year to August is \$73.1bn, a rise of nearly 85 per cent against the same period last year.

The rise in the surplus, combined with the stagnation of the domestic economy, is likely to intensify political infighting among the economic bureaucracy, industry and politicians over economic policy.

The Ministry of Finance and the Bank of Japan will use the figures to support their argument that the yen should appreciate gradually against the US dollar to choke off the surplus.

Mr Noboru Hatakeyama, vice minister for international affairs at the Ministry of International Trade and Industry, said a rate of Y110 to the dollar was appropriate, given the size of the surplus and Japan's low inflation record. The dollar closed in Tokyo slightly weaker at Y119.40.

However the chorus of industrialists who complain that a stronger yen stifles export growth will use figures showing a marked deterioration in the labour market to justify their call for intervention to restrain the yen.

## Peres wins closer Israel-EC trade ties

By Lionel Barber in Brussels

MR Shimon Peres, the Israeli foreign minister, yesterday won EC support for closer economic ties with the Community and an updating of the 1975 bilateral trade agreement.

After talks with European Commission President Jacques Delors in Brussels, Mr Peres expressed hopes for a fresh start in relations between Europe

and the Middle East with the possible formation of a Middle Eastern common market along EC lines. He said: "We would like to structure the region in a way that the motive for war disappears, we would like to copy the structure of the EC."

He repeated his call for a summit with Syria to push forward negotiations on the Golan Heights, but he said the prospects were not promising.



Ross Perot with his wife Margo announcing his re-entry to the race, a move likely to enliven the remaining weeks of the election campaign



Perot's running mate, Admiral James Stockdale

## So far so good in Angolan election

International supervision has created a climate of reconciliation now to be put to the test, writes Julian Ozanne

constraints of working in a country the size of France, Spain and Germany combined, which has never before held elections and where the infrastructure is in ruins.

The critical input by the United Nations and the international community has been to create confidence for both sides and for the people of Angola and to provide an impartial and objective authority to resolve disputes.

"At some time we've been accused of being pro-MPLA by Unita and pro-Unita by the MPLA, so we must have been getting it right," says Miss Margaret Anstee, the special representative of the UN secretary general and the head of the 4,200 UN operation known as Unite II.

The international role in Angola's peace process, costing about \$250m (£140m), is certain to provide lessons for transitions in other war-ravaged African countries such as Mozambique, where talks on a ceasefire agreement were continuing in Rome yesterday.

Even six months ago few observers believed the process could stay on track and get as far as the elections. The formidable obstacles included deep suspicion and hostility between the MPLA government and Unita, the many weapons in the country, and the logistical

constraints such as air transport, vehicles and communications. "Anstee pushed very hard and very successfully from the beginning for bilateral support for logistics and it is hard to see how things would have gone any better with more money," said a western diplomat.

The UN-monitored peace process has had two basic elements – political and military. On the political front, the voter registration campaign was successful, registering 4.85m voters out of a population of about 10.5m. Although an estimated 300,000-400,000 voters were not registered, observers agree the exercise exceeded expectations.

The second vital part of the peace process was observing the elections themselves.

The UN provided 400 observers and assisted in an internationally-funded \$10m airlift operation which flew 25,000 people in 320 flights from remote areas to polling stations.

On the military side, 350 UN military observers have monitored the ceasefire and supervised the confinement of troops to assembly areas, the collection and disposal of weapons and the demobilisation of 150,000 troops, which was supposed to

be completed before the elections. Demobilisation went much slower than expected, with only about two thirds of the 150,000 ex-soldiers demobilised so far. Part of the problem has been that both sides, but especially Unita, have kept back troops and the best weapons as an insurance policy in case the process was derailed.

The second strand of the military process has been forging a new 50,000-strong unified army, navy and air force out of Unita and the MPLA. This is being assisted by Britain, Portugal and France. Last Monday, the new joint military high command of the new army was sworn in at a ceremony in Luanda and at least 8,800 troops have undergone western-supervised training courses in new military academies.

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The risks of the process falling apart now rest on the reaction of both parties to the election result within the next two days. But the success of the efforts of the international community in getting this far has contributed to providing Angola with a climate for reconciliation.

## NEWS IN BRIEF

### Inquiry into naval accident promised

THE commander of US forces in Europe, Gen John Shalikashvili, yesterday promised an "open and quick and full investigation" into a naval accident in which five Turkish servicemen were killed in the Aegean on Thursday night, wrote David White in Bielefeld, Germany, and John Murray Brown in Istanbul.

The aircraft carrier USS Saratoga fired two Sea Sparrow missiles during a Nato exercise. At least one hit the bridge of a Turkish destroyer, starting a fire. The captain and four sailors were killed and there were 14 injuries, three of them serious.

### Bank breached guidelines

Bank of America has admitted it contravened the Indian central bank's guidelines and diverted large sums of the deposits of public undertakings to securities transactions, writes Shiraz Sidhu in New Delhi. The American bank also admitted to the joint parliamentary committee investigating the Rs355bn (£71.7m) Bombay stock market scandal that it had offered Mr Amitabh Ghosh, a former deputy governor of the Reserve Bank of India, the chairmanship of the bank's advisory board.

### Dispute over van duties

European Commission plans for 10 per cent duties on imports of Chrysler minivans from Austria could stir up a political row between Vienna and Brussels, Austrian officials warned yesterday, writes Andrew Hill in Brussels.

Business is profitable," explained one dealer who yesterday shifted 100 Syrian sheep at a mark-up he put at 100 per cent. Over the three weeks of the campaign, the price of an average sheep has risen from KD25-35 to upwards of KD60.

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# Care reform funds win approval

By Alan Pike,  
Social Affairs Correspondent

MRS VIRGINIA BOTTOMLEY, health secretary, yesterday announced funding arrangements for next year's community care reforms which social services directors and political opponents acknowledged were reasonable in the present state of public expenditure.

She surprised delegates to the local authorities social services conference on the Isle of Wight with an announcement that, in the early years of the reforms, part of the finance will be subject to "ring fence" protection to ensure that it is spent on community care rather than on other purposes.

Next April, local authorities will become responsible for co-ordinating a policy designed to help elderly and handicapped people to remain in the community rather than have to enter institutions. Spending on keeping people in private residential and nursing homes has soared from £10m in 1979 to about £22.5bn now.

Although the position of people already living in residential homes will be unaffected, money that would have been spent on accommodating further people will be transferred from the social security budget to local authorities.

Under the proposals, English local authorities will receive £539m in community care

grants in 1993-94, £399m transferred from the social security budget and a further £140m towards the start-up costs of the new system. Sums transferred in lieu of social security expenditure that would have been incurred under the existing system will rise to a cumulative £1.05bn in 1994-95 and £1.568bn in 1995-96.

The government said that, in the crucial early years of the new policy, the new elements of community care finance needed temporary ring-fencing.

All £539m in 1993-94 will be protected. After that, protection will be restricted to the

additional funds transferred from the social security budget in 1994-95 and 1995-96. In that way, ministers hope to guarantee that funds earmarked for community care are actually spent on the reforms.

Mr Tony Harris, Labour chairman of the Association of Metropolitan Authorities' social services committee, acknowledged that Mrs Bottomley had fought "a substantial battle to get the figure she has announced". The AMA believes, however, that there is a £200m shortfall in the £539m due next year arising from differences in government and AMA calculations of the rate of growth in people needing residential care.

Mr Peter Smallridge, director of Kent Social Services and chairman of the Association of Directors of Social Service, said the immediate reaction of social services directors was that Mrs Bottomley had done well to secure the proposed level of funding and protection.

The government says the £539m transferred from social security must be spent in the private and voluntary sectors. Mrs Bottomley said the reforms were not intended to become "a trigger for a great expansion of local-authority-operated services". The government hopes the funding changes will lead the private sector to open up domiciliary and day care facilities.

## BT offers business phone discounts

By Hugo Dixon

BRITISH Telecommunications yesterday announced an improved range of discounts for business telecommunications users as part of its attempt to stem the loss of its most profitable customers to Mercury Communications, its main rival.

Business customers are being offered a cut in charges of about 3 per cent to 4 per cent from next January.

Mercury, which has concentrated on providing services to businesses, said it was committed to remaining competitive, but would not necessarily make a "knee-jerk response" to BT's move.

Business customers are likely to receive a second round of price cuts in the next few months, when BT announces annual changes in its standard charges.

The company is required by Ofcom, its regulator, to cut the price of a basket of its main services by an amount equivalent to the rise in the retail prices index minus 6.25 percentage points.



Thumbs up: John Smith acknowledges applause of the delegates at the end of the Labour conference in Blackpool

## Smith demands 'full account' of exit from ERM

By Ralph Atkins

MR JOHN SMITH, opposition leader, yesterday intensified his harrying of Mr John Major over the UK's dispute with the Bundesbank.

He told the prime minister in a letter that it was unacceptable for Mr Major to try to conclude the dispute with the German central bank by "drawing a line" under it.

He said the Bundesbank's statement, published in the Financial Times this week, suggested an approach had been made to Britain over its realignment within the ERM - contradicting the Treasury's version of events.

"[The] British public deserves to know the truth about all the options considered," Mr Smith wrote. He told Mr Major it was his responsibility "to provide a full account of the disastrous events which culminated in both an estimated loss of £1bn on Black Wednesday and this country's humiliating withdrawal from the ERM".

Mr Smith reported Mr Helmut Schlesinger, Bundesbank president, as saying the Bank of England had not asked for extra help to save the pound beyond that required under the European monetary system.

Meanwhile, the Labour party, which ended its conference in Blackpool yesterday, is refusing to be explicit about its tactics when the Maastricht bill resumes its Commons stages. Although the Labour leadership backs the principle of closer European union, Mrs Margaret Beckett, deputy leader, said the party would want to examine the bill's content, particularly in the light of any changes made to satisfy the Danish people.

She said Labour would oppose attempts by the government to impose a "guillotine" on the bill - a measure restricting the time allowed for debate which is usually used to prevent filibustering by opponents.

Labour is conscious that the divide among its MPs over Maastricht is substantial, although probably not as deep as among Conservatives.

## Stance on opt-out schools hardens

By Ivo Dutton

MRS ANN TAYLOR, shadow education secretary, committed herself yesterday to a much harder line on grant-maintained schools than her predecessor, Mr Jack Straw.

Mr Straw had softened the party's opposition to the opting-out of schools and had accepted that a Labour government might not be able to return them all to council control.

During yesterday's education debate on the last day of Labour's conference in Blackpool Mrs Taylor said: "We oppose opt-out in principle because it is wrong."

Other speakers pointed to the limited popularity of opting out. "They have spent millions bribing schools to opt out, but less than 1 per cent have been tempted," Ms Joanna Tait of the Socialist Education Association said.

Mrs Taylor said: "There are more schools opting out in Tory Kent and Tory Essex than in all Labour authorities put together. It is clear which political party schools want to escape from."

She led attacks on the government's white paper on education, Choice and Diversity, published this summer. "All it does is set the scene for more chaos and more centralisation," she said.

• Strong support by the conference for the unification of Ireland set back the hopes of a vociferous minority in the party who want Labour to organise in Northern Ireland, Ralph Atkins writes. The conference also called for a European dimension to talk on the province's political future.

## Conference overturns leadership on defence

By Ivo Dutton  
Political Correspondent

THE LABOUR conference overturned the leadership for the fourth successive year yesterday by voting for deep cuts in defence expenditure.

The grassroots were more defiant than ever, with 4.35m votes insisting that a Labour government should cut UK defence expenditure to the average of other western European countries.

Only 831,000 voted for the national executive's recommendation to throw out the motion, confirming the strength of feeling against the £24bn defence budget.

The rebellion will have little influence on the leadership, which has consistently ignored similar resolutions in every year since 1989.

In the Thursday debate, Mr Tony Clarke from the NEC argued that the leadership was not hostile to the sentiments of the motion, but its vague wording failed to identify how the average figure should be calculated.

Speakers including Ms Debra Gold, from Hampstead and Highgate, protested that the leadership had "hidden away and disowned" its peace and disarmament policy.

The defeat was another significant upset for Labour's executive. On Thursday, the result of a card vote showed the extent of union support for their block vote.

They voted four to one for a motion endorsing the present relationship in spite of appeals from the leadership to leave the ultimate decision to a working party, due to report by Christmas.

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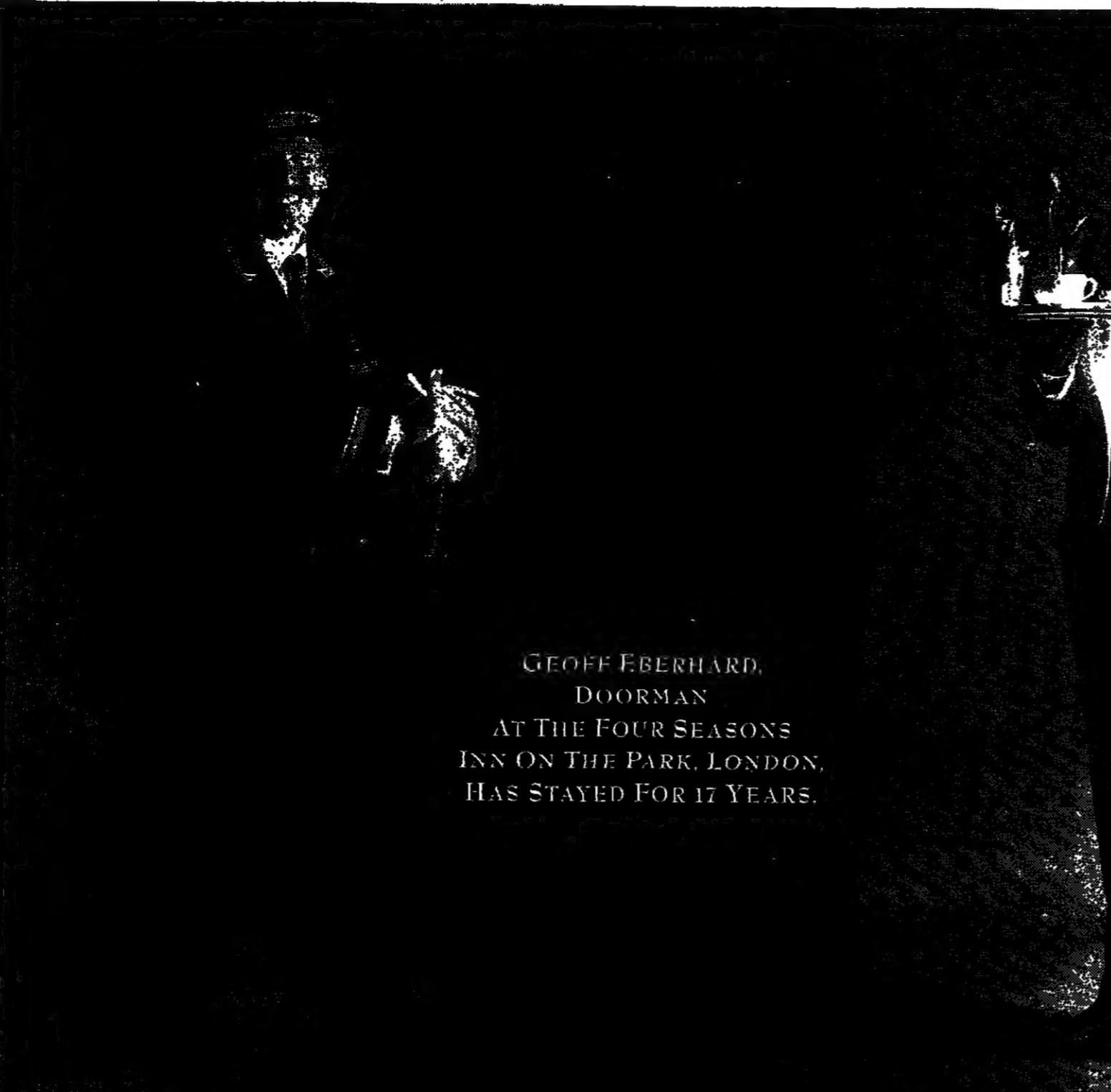
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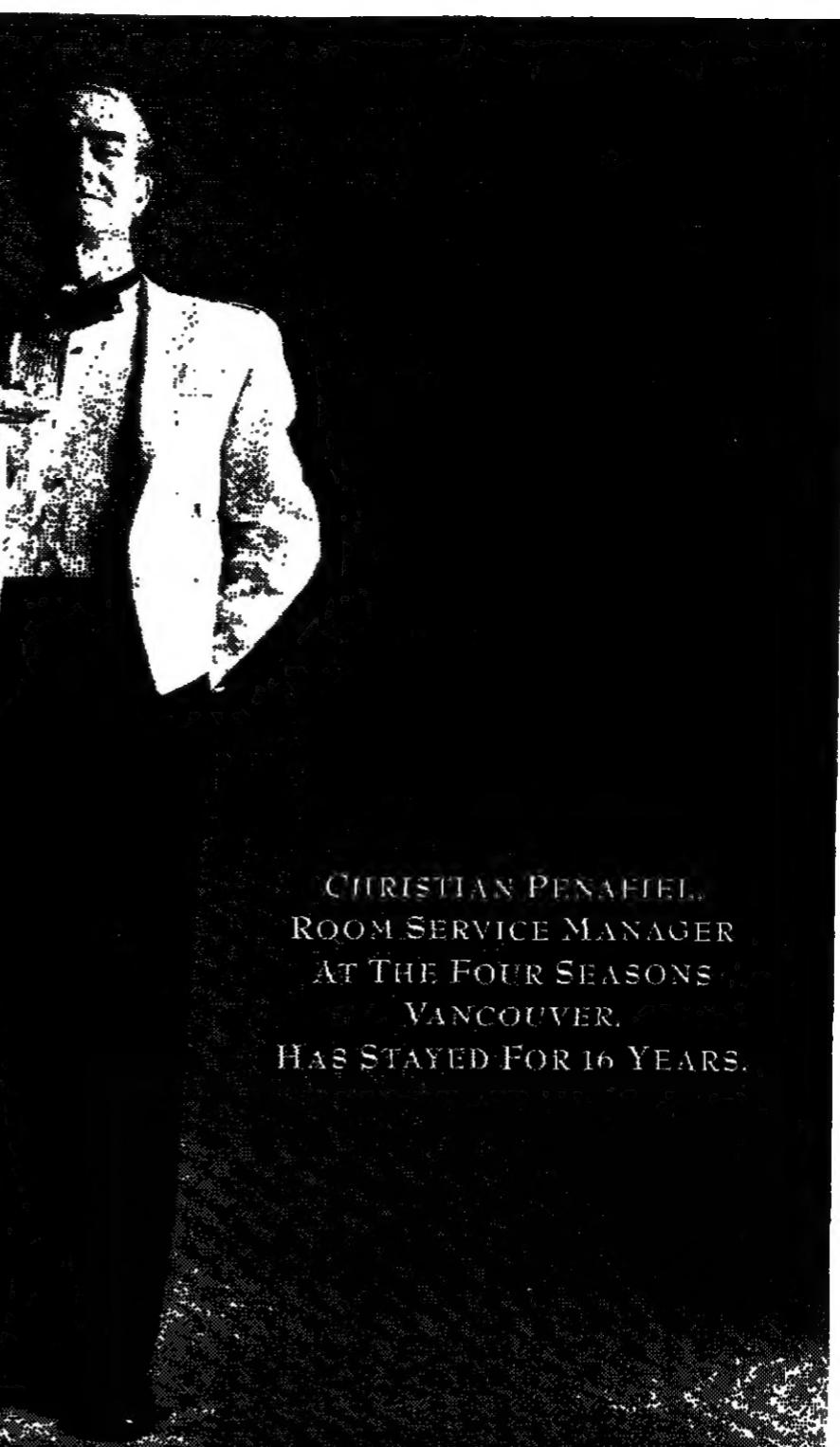
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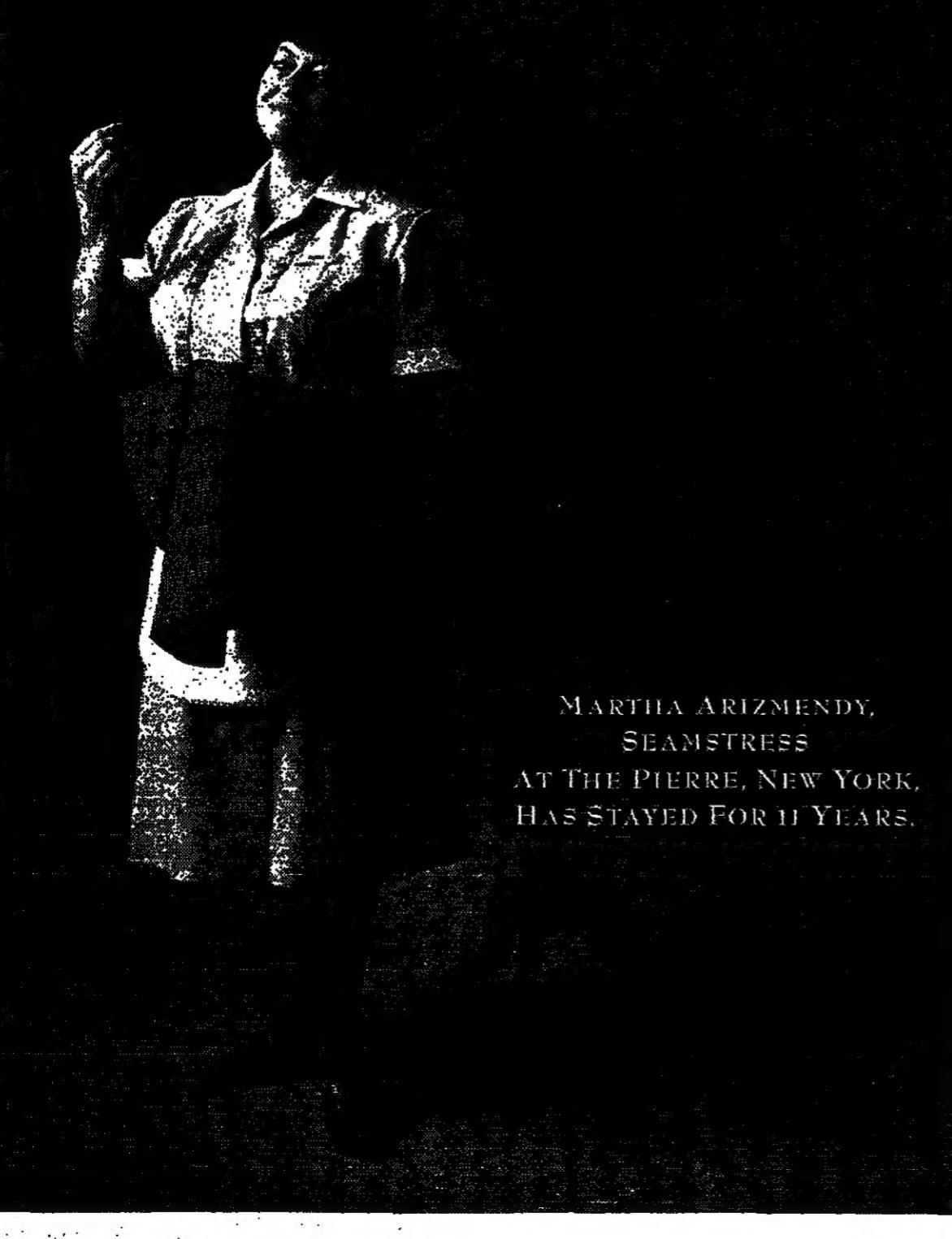
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# Bank says US report on BCCI 'offensive'

By John Gapper in London and Alan Friedman in New York

THE BANK of England yesterday fiercely denied accusations by US senators that it failed to regulate the Bank of Credit and Commerce International properly, condemning part of the criticism as "misconceived and offensive".

In an unusually strong public statement, the Bank made a

detailed rebuttal of charges in a Congressional inquiry led by Senator John Kerry which accused the Bank of "wholly inadequate" regulation of BCCI.

The Bank said it would not respond formally to an inquiry which it believed had employed "deficient procedures", but it wanted to deny "a number of allegations about the Bank for which there is no factual basis of any sort".

Senator Kerry's office reacted to the Bank of England's statement by saying: "Mr Kerry stands by the report."

The war of words between Congressional investigators and the Bank broke out the day after the publication in Washington of the 780-page report of a four-year inquiry by Senator Kerry and Senator Hank Brown of Colorado.

The report said the Bank had

received evidence of BCCI fraud in the spring of 1980, but had "colluded in the suppression of the true facts" until the spring of last year, when it co-ordinated the worldwide closure of BCCI. The Bank said yesterday that to suggest it had been "even inadvertently a party to a cover-up of criminality is misconceived and offensive". It also denied entering a deal with the government of Abu Dhabi not to close BCCI.

The Bank, which initially responded to the report by saying it could not comment because it was awaiting the publication of the inquiry into BCCI supervision by Lord Justice Bingham, was highly critical of the senators' methods yesterday. "The procedures under which this investigation operated were, in the Bank's view, unjust and have led to allegations about the Bank which have no basis in fact."

The Bank denied telling BCCI's auditors Price Waterhouse to certify BCCI's accounts in 1989. The report said that Price Waterhouse would not have certified the accounts unless it had been guided to do so by the Bank.

It also disputed a central tenet of the Kerry report, that the investigation of Mr Robert Morgenstern, the New York district attorney, had triggered BCCI's closure. The Bank said it had acted independently of Mr Morgenstern's investigation.

Both the Bank and Price Waterhouse insisted that neither had given evidence or been interviewed for the Kerry inquiry. Senator Kerry's office said Price Waterhouse had been issued with a witness subpoena, and denied Price Waterhouse's claim that the committee had not responded to the firm's offer to talk to it in London.

PROCEEDINGS at a preliminary hearing for the trial of Mr Asil Nadir, former chairman of Polly Peck International, were held up yesterday when Mr Justice Tucker, the judge presiding over the case, failed to appear, an event with few precedents in legal history, David Barnard writes.

The judge's place was taken by Mr Justice Pill and the court adjourned after less than an hour.

The Lord Chancellor's office said that it had been thought inappropriate for administrative reasons for Mr Justice Tucker to attend the hearing, which had been expected to consider varying Mr Nadir's bail terms, but that the judge is expected to return to later sessions of the court. He declined to give any further explanation.

## Decline seen in receiverships

THE NUMBER of companies passing into receivership or administration declined for the eighth consecutive month compared with the same period last year, according to figures produced by accountants Touche Ross from the London and Edinburgh Gazettes.

## Ruling against accountants

THE FIRST firm of chartered accountants to have its audit registration publicly withdrawn was announced yesterday.

Lewin Atkins & Co, of north London, will no longer be able to conduct audits after a ruling from the audit registration committee of the Institute of Chartered Accountants in England and Wales last month.

The committee would not say the grounds on which deregistration took place, but the firm is also being scrutinised by the professional conduct staff of the Institute.

## VAT decision

HOLDING COMPANIES will no longer be able to recover value added tax in carrying out their basic functions, HM Customs & Excise said yesterday.

Activities such as the acquisition of shares and subsidiaries, mounting or defending against takeovers and receiving dividends will cease to be tax-deductible from March 1 next year.

## Beer production

BEER production in July of 3.45 million barrels was 2.6 per cent higher than in the same month last year, according to the Brewers' Society.

# Councils may form pool for self-insurance

By Richard Lapper and Andrew Adonis

LARGER local authorities are examining the possible formation of a self-insurance pool in the wake of the troubles experienced by Municipal Mutual, the insurance company that insures the great majority of councils.

Accountants Touche Ross have been retained to advise on how councils could combine forces to insure risks such as public and employers' liability for which the insurance market is reluctant to provide cover.

Municipal Mutual, which is owned by its policyholders, ceased writing new business and temporarily suspended payment of claims on Wednesday after rescue talks with Paris-based La Garantie Mutuelle des Fonctionnaires broke down.

A number of councils whose insurance policies came up for renewal this week have experienced difficulty obtaining cover.

For example, Gwynedd County Council paid a substantially higher premium for a temporary policy. "In a full year, the council would have to find at least half a million pounds over and above the present budgetary provision to

meet the increased cost of premiums," a council official said yesterday. The council's annual budget is about £160m.

A number of insurers are also demanding that councils retain larger excesses, retaining larger amounts of risk on their own books and reinforcing the move towards self-insurance.

An increasing number of London boroughs already self-insure. Their control of education gives them particularly large budgets – typically above £200m – allowing them to carry all but very large public liabilities.

London has had a borough insurance fund for 10 years and has progressively shifted to self-insurance over the period. About 80 per cent of its risk is now self-insured.

Concern is growing among Municipal Mutual's 2,000 staff that scheme of arrangement in Britain, according to industry experts.

But it has fuelled the continuing debate about the future of the UK's sixth-largest industry as it grapples with recession and the conflicting interests of some of the parties involved.

Man Al Maktoum, the spokesman for the oil-rich Dubai family that owns 12 per cent of all bloodstock in training



The horseracing industry wants increased prize money and more generous tax incentives to help revive an industry grappling with recession

# Maktoum stable cut refuels racing debate

By Jimmy Burns

REPORTS that the Maktoum family is considering reducing the number of horses it owns in the UK does not herald the imminent collapse of horseracing in Britain, according to industry experts.

But it has fuelled the continuing debate about the future of the UK's sixth-largest industry as it grapples with recession and the conflicting interests of some of the parties involved.

Mr David Pipe, of the Jockey Club, agreed that prize money in the UK was "unacceptably low" and hinted that the bookmakers still remained partly to blame for not putting enough

money back into the sport. He said the industry remained a long way from disaster. "Attendances are not bad and we are doing better than one would expect from a leisure industry in the present circumstances."

Ladbrokes Racing, the UK's largest bookmaker, said that its profit margins on racing were much smaller than its critics suggested and urged an end to "squabbling" within the industry.

The bookmakers want greater consultation between all parties concerned and "continued progress in the timing and quality of racing fixtures"

to increase revenue.

The Horseracing Advisory Council, which groups breeders and owners but not bookmakers, says the government is failing in its commitment to provide a VAT "level playing field" for the UK breeding industry from January 1 1993, when the Single Market transitional stage comes into force.

The industry stands to gain from a quarter of a percentage point cut in betting duty announced in the last budget, but it is pressing the government for further cuts in the duty and a reduced rate of VAT on bloodstock.

Buyers in Britain currently pay 1.5 per cent VAT, compared to a rate of 5.5 per cent in France and 2.7 per cent in Ireland.

Government officials have indicated that while such reductions are legally available they are "politically unacceptable".

Mr Philip Potts, secretary of Tattersalls, the oldest and largest UK bloodstock agency, warned yesterday that official reluctance to provide further tax assistance may both hurt the industry and backfire on the government.

"If the industry is reduced, then tax revenues will decline," he said.

# Rivers face 'aesthetic test'

By Bronwen Maddox, Environment Correspondent

THE National Rivers Authority has proposed that rivers, lakes and estuaries should be assessed on their pleasant appearance and ability to support aquatic life, as well as the chemical tests used in the past.

The authority, which is responsible under the 1989 Water Act for setting water quality standards in England and Wales, yesterday made its proposals to the government, which

is drawing on more than 160 responses to its December 1991 consultation paper.

It proposes that rivers and estuaries be classified by use: fisheries; drinking water; agricultural or industrial supply; water sports; and nature conservation. Surveys every five years would test the chemical, biological, nutrient and aesthetic state of the water.

Friends of the Earth, the environmental pressure group, said it was concerned that "The government's fear over rising water bills will compromise the implementation of the new statutory water quality objectives".

# Treasury to alter insider dealing law

By Richard Waters

THE TREASURY has conceded after strong criticism from the City that its proposed new insider dealing law needs changing.

A draft of the proposed law, circulated to a small number of City institutions in August, prompted complaints that legitimate activities would be outlawed. There were also claims that the new law would make insider dealing – dealing on unpublished, price-sensitive information – more

difficult to prosecute in some instances.

Mr Stephen Dorrell, Treasury economic secretary, said in a speech to the Corporation of London, the local authority for the City, on Thursday: "We are in the process of considering the valuable comments we have received. I am confident that the revised proposals which we are now preparing will substantially address the legitimate points which people have put to us about the draft legislation." He gave no indications of the planned changes.

Mr Dorrell's comments were given a cautious welcome in the City. "We certainly take some comfort from them," the British Merchant Banking and Securities Houses Association said. The proposal that has drawn the most complaints would extend the definition of "inside information" to cover anything that could affect a company's share price, regardless of whether the information was about the company.

That could include, for instance, information about the company's rivals, or about a large block of its shares that had been put up for sale in the stock market. The activities of analysts, marketmakers and underwriters could all be caught as a result.

# Maxwell to continue SFO fight

By John Mason

MR KEVIN MAXWELL is to continue his High Court challenge to have a judicial review of the rights of the Serious Fraud Office not to disclose documents to defendants before they are interviewed under its special section two powers.

A High Court judge yester-

day refused Mr Maxwell leave for such a review.

However, his solicitors said afterwards that he would renew his application next week in front of two other judges.

Mr Maxwell was due to have his eighth section two interview next Monday. That has now been postponed pending the result of next week's hearing.

# Bank reserves fell £4.4bn

By Emma Tucker, Economics Staff

THE BANK of England's reserves fell by £4.4bn (£7.7bn) last month, but analysts said that did not reflect the true extent of intervention by the authorities as they attempted to prop up sterling.

Although the underlying fall was a record, it was only a fraction of the £15bn of foreign currency reserves allegedly spent shortly before the pound's devolution.

Treasury figures show that Britain's overall gold and currency reserves were \$42.7bn at the end of September compared with \$44.4bn at the end of August.

The net final fall of £1.7bn was much smaller than the underlying fall because the government was able to draw upon £5.1bn – about half – of the special borrowing of up to £10.5bn.

For the past two years, they have assumed that the pound could go no lower than DM2.780, its lower limit against the D-Mark in the European Exchange Rate Mechanism. But yesterday it reached a historic low of DM2.4260.

While the currency fell sharply on the foreign exchanges, investors were at a loss to know when sterling would bottom out.

ECB rules of foreign currencies arranged at the beginning of September to boost the pound. Overall reserves were also boosted by £1.2bn of Ecu Treasury bill proceeds.

The Treasury said the changes in reserves were not an exact mirror of Bank intervention. The figures are the only official indication of what took place last month. They fail to reveal a number of factors including:

• How much intervention was carried out by the Bundesbank on behalf of the Bank of England. Earlier this week, Mr Helmut Schlesinger, president of the Bundesbank, pointed out that total compulsory D-Mark sales in support of EMS currencies during the week of "Black Wednesday" came to more than DM44bn (£17.8bn). "The greater currency reserves allegedly spent shortly before the pound's devolution.

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While the currency fell sharply on the foreign exchanges, investors were at a loss to know when sterling would bottom out.

# London forecast to lag in growth

By Emma Tucker

GREATER London, hampered by sluggishness in financial and business services, is forecast to be the UK's slowest growing region during the 1990s.

Growth will be fastest in the less urbanised regions including the south, the east Midlands, Wales and Yorkshire and Humberside, according to the latest regional survey by the Northern Ireland Economic Research Centre and Oxford Economic Forecasting.

The north and north-west of England, Scotland and Northern Ireland are expected to lag behind the UK average.

The report suggests that the economic boom in south-east England during the 1980s,

which raised that region's share of national economic activity above its postwar norm, was unsustainable.

By the end of next year it forecasts that employment in the south-east will have fallen from its 1990 peak of 8.3m by 683,300, a fall 1½ times greater than the number of jobs gained during 1986-90.

Employment in financial and business services in the south-east fell by almost 5 per cent compared with a 1 per cent increase nationally.

Outside the south of England, East Anglia and the south-west, output and employment losses have been mainly confined to manufacturing and construction. Manufacturing is forecast to grow faster than the average for all industries.

# Investors flounder as sterling floats

James Blitz explores how far the pound might fall

On a trade-weighted basis, the pound is undervalued against the D-Mark with a fair value being seen by some analysts as between DM2.50 and DM2.780. However, Mr Mark Austin, chief economist at Hong Kong and Shanghai Banking Corporation in London, said: "You can ignore such measures altogether. It is no guide to where the currency will go right now."

Instead, the pound is being undermined by uncertainty over the government's economic policy and the continuing political difficulties over its European policy.

In the next few days, sterling's moves will be dictated by whether there is another cut in

UK base rates. There is widespread speculation that Mr Norman Lamont, the chancellor, will announce another rate cut next week to boost the government's lagging fortunes at its annual party conference.

A cut in rates, currently at 9 per cent, would give investors a lower return on the pound and push its value down further. But Mr Austin said that yesterday's "disturbing" fall made another cut unlikely.

Beyond the party conference, choosing a bottom for sterling is a more hazardous business.

Mr David Shaw, bonds director at Legal and General Investments, has worked out several scenarios for sterling over the next few months. The pound would re-enter the ERM at a central parity of DM2.40 and a rebound would certainly ensue.

The most likely outcome, he says, is that there will be a "managed float" of the currency. That would involve a formal statement that the UK has left the ERM, with the government anchoring the currency to a new exchange rate regime or a mixture of monetary indicators. Sterling would, in his view, fall to DM2.35 or \$1.60.

The most bearish outlook for the currency, however, would be a continuation of uncertainty or a government policy of "benign neglect" towards sterling, similar to the one that has predominated in the US this year. It would be accompanied by more cuts in interest rates in an attempt to "go for growth".

A

# Major decides to defy Euro-sceptics

EDINGS for a hearing at the High Court in London, before Justice Peter Jackson, are to appear, an event in legal circles' place of residence over the weekend.

The prime minister will defy the Tory Euro-sceptics by pressing ahead with ratification of the Maastricht treaty. He will seek to ease the process by keeping sterling indefinitely outside the European exchange rate mechanism. The first priority is economic recovery rather than stable prices.

So a Conservative party that risked drifting into self-destruction has been given the lead it demanded. Mr Major's dilemma is that a large and angry segment of that party wanted to head in the opposite direction.

Next week's annual conference in Brighton will see the first bruising skirmishes in a battle over Europe that threatens to engulf the government until next spring. Mr Major believes he will win. He can be far less certain of the cost the fight will inflict on a government whose authority has been shredded by devaluation.

Nor will Maastricht be the last battle. The pro-European majority in his cabinet is content for now to accept a formula that defers a decision on sterling's return to the ERM for up to two years. They accept that Mr Major cannot join battle with the Euro-sceptics on two fronts.

Unlike the chancellor, other heavyweights such as Mr Douglas Hurd, Mr Michael Heseltine and Mr Kenneth Clarke have not been singing in their baths. Mr Norman Lamont may feel liberated by the removal of an exchange rate constraint. Many of his colleagues believe the economic and political imperatives that led the government into the ERM have been suppressed rather than removed.

So Mr Major is emphasising in private as well as public that he has suspended rather than abandoned his view that sterling is better off inside than outside the ERM.

As for the chancellor, Mr Lamont's peers believe he

should be safe in the Treasury for the time being. The view around the cabinet table is that the prime minister cannot afford to move a self-declared champion of the Euro-sceptics while the Maastricht bill is in the House of Commons. But few expect Mr Lamont to remain in No 11 Downing Street much beyond next spring.

Mr Major's decision to press on with ratification of Maastricht came at Thursday's cabinet meeting. It followed an

## Philip Stephens anticipates a ruthless drive to force Tory MPs into line

intense round of contacts with his European colleagues which had convinced him that he can no longer prevaricate.

President François Mitterrand and Chancellor Helmut Kohl signalled that they would accommodate his political troubles by publicly eschewing any formula that they intended to leave Britain in the slow lane of a two-speed Europe.

The *quid pro quo* they sought was tangible evidence that Britain would ratify the treaty well before a second referendum in Denmark in the middle of next year.

Mr Major's counterparts warned him that his agenda for the Community - completion of the single market; a drive to complete the General Agreement on Tariffs and Trade talks; and commitments to EC enlargement - would be swept aside unless he could deliver on the treaty.

Alongside those sticks was a carrot. They accepted Mr Major's judgment that the sceptical mood among electors in the Community demanded a clear response from the EC summit in Birmingham later this month.

It will be bloody and debilitating for his government. But in the end Mr Major had no other choice.

declaration committing governments to put flesh on the concept of subsidiarity - the devolution from Brussels to national governments of intrusive powers.

There was agreement also that further declarations buttressing the intergovernmental nature of much of the treaty would be needed to pave the way for the Danish government to hold a second referendum.

Mr Major linked that assessment of the mood among his partners with a broader judgment that the damage to Britain's standing would be damaged beyond repair if he sought to renege on Maastricht.

He reminded the cabinet that he had extracted critical concessions in the final hours of the treaty's negotiations last December. That would never again be possible if the government did not keep its word.

The prime minister was careful to ensure that every member of the cabinet put his or her name to the decision.

There was a more fundamental point. In spite of his strong antipathy to federalism, Mr Major remains persuaded that Britain cannot prosper politically or economically on the margins of a two-speed Europe.

Defeating the Euro-sceptics will not be easy. Party managers are promising a ruthless campaign to force MPs into line. But the signs are that up to 50 Tories are ready to refuse their support and that many more will have to be coerced.

The prime minister will therefore be forced to rely on the opposition parties to get the legislation through. Mr John Smith, the Labour leader, is clear that he will not destroy the party's hard-won European credentials by attempting to defeat the bill. But he will seek to maximise Mr Major's discomfort in the protracted guerrilla warfare by Tory Euro-sceptics during the committee stage of the bill.

It will be bloody and debilitating for his government. But in the end Mr Major had no other choice.

FT writers assess constituency moods on the eve of the Conservative party conference

## Economic policy troubles faithful

By Paul Cheeswright, Midlands Correspondent

MR JOHN PERKINS, partner of Perkins and Tustin, solicitors, is a quiet man. Mild of demeanour, grey suit, neat tie, he is an active Conservative supporter of 20 years' standing. But long before Black Wednesday, he was worried.

"A policy concentrating on inflation is just not adequate," he said. So he devised a motion for the party conference that goes to the heart of government economic policy. It asks, in effect, for the government to encourage manufacturing.

Mr Perkins wondered whether he might be thought a

rebel, but he will not be considered such in Northampton South. Local MP Mr Michael Morris, deputy speaker of the Commons, said: "The message from my constituents is that they actually want practical help and assistance."

Northampton South has a diversified industrial base and the impact of the recession has been less severe than in, say, the West Midlands. But unemployment doubled in the year to October 1992 from 3.5 per cent to 7.0 per cent and has since climbed to 9.0 per cent.

The seemingly effortless economic growth of the 1980s has stuttered, calling into question basic tenets of government policy and feeding the creeping disillusion of the local faithful.

Black Wednesday left bewilderment. Northampton South Conservatives are not convinced that the government is getting a grip with the situation.

"There are stalwart Conservative-minded people who are absolutely dumbfounded about what we're playing at," said Mr Malcolm Lloyd, who has a nail-finishing business. "I want to give Mr Major every support, but I want to see results."

MOTIONS DESTINED FOR OBLIVION: Northampton South: This conference asks the government to change, in the economic realities of the 1990s, the emphasis from the service industries to those that manufacture. This conference asks for the

government to give more encouragement to industry, rather than the consumer, to lead us to a balance-of-payments surplus. (Tory MP - Michael Morris, elected 1974).

Scarborough: This conference congratulates the Danish people on their rejection of the Maastricht treaty and calls upon Her Majesty's Government to cease any further moves towards political and monetary union. (Tory MP - John Sykes, elected 1992).



Not bloody accountants: Scarborough's fishermen resent the intrusion of EC rules into their working lives

## 'We don't want strangers meddling'

By Jimmy Burns

MR DAVE BECK, a Conservative member of North Yorkshire County Council, is in blunt and combative mood. "Jacques Delors! I don't trust him. There is no froth and bubble here. We don't want strangers meddling in the affairs of

Northampton South.

He blames its decline on Europe.

"This is Europe," spits Bob Walker, a fisherman and loyal Conservative supporter for 30 years, emerging from his trawler with two hefty files - the Eurolog book he has to fill in every time he fishes in EC waters. "We're fishermen, not bloody accountants."

Such sentiment can easily flourish in a town like Scarborough, a quintessential northern resort with its mixture of fading Victorian elegance and fish and chips.

Here people claim to have spent their history resisting foreign invasions. The pubs have names that include Albion, Britannia and Lord Nelson.

Feelings have risen to the surface by the harbour, where the local fishing industry

is threatening to burn their EC log books outside the Tory conference next week.

In the office of Mr Robert Ashman, the Conservative agent and secretary, on the first floor of the elegant Victorian building housing the Scarborough Conservative club, the portraits of Mr Major are outnumbered by those of Churchill and Mrs Thatcher.

But Mr Ashman is no fanatic Euro-sceptic and is anxious to point out that not all local Conservatives are anti-European. "Undoubtedly there are some who want nothing to do with Europe, but they are in a minority. The majority simply are worried by a sudden rush into Europe. There is no hard and fast anti-European attitude."

### SCARBOROUGH

this nation. The British people are saying enough is enough."

Mr Beck is the author of the Scarborough and Whitby Constituency Conservative Association's motion - approved unanimously on July 6 by the 16 members of the association's executive committee.

Mr Beck says that Tory grassroots opinion - fuelled

by the narrowness of the French referendum vote and the diplomatic shadow boxing with the Germans - is firmly behind him.

"The government can try and cajole and use the three-line whip but the people will not have Maastricht," he declares.

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Feelings have risen to the surface by the harbour, where the local fishing industry

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## FINANCIAL TIMES

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## Leading from weakness

**THE MINI-SUMMITS** at which world leaders so often meet are becoming increasingly like group encounters, or therapy sessions. Participants alternately seek to console one another, or fly into tantrums. This is hardly surprising: seldom have so many important governments been so dangerously weak.

President Mitterrand can at least retire gracefully if he wishes, for convincing medical reasons. President Bush can only be saved by an electoral wonder. Chancellor Kohl has somewhat longer to rebuild his ruined prestige. Mr Miyazawa is accused of covering up yet more corruption in the Japanese ruling party. Meanwhile Mr Major, who stood out until only a few weeks ago as the one secure and confident leader in the big industrial countries, has joined the critical list. Only Mr Amato in Italy and President Yeltsin in Moscow enjoy the grim security which comes from manifest national crisis.

The reasons are all at bottom economic, but there are three quite different problems intertwined. The English-speaking countries and Japan are suffering what is at heart a financial crisis. In all these countries the banking system is sick from the excesses of the 1980s, and kept weak by the belated onset of supervisory prudence, which earmarks the bulk of banks' earnings for balance sheet repairs. Meanwhile, creditworthy borrowers are badgered to repay, and the more questionable kept on minimal life-support, with devastating results for the small company sector.

Until banking recovery is complete – a matter of years even in favourable circumstances – debt deflation is likely to persist. Massive damage can be avoided only through large interest rate cuts, as the US and Japanese authorities have clearly understood. But in continental Europe the problems are quite different. The banking system is sound, but fiscal deficits are excessive, mainly, of course in Italy and in reunited Germany, which has contracted symptoms from the third crisis – the collapse of the former Communist economies.

### Fears to persist

Even without the deflationary convergence conditions imposed by the Maastricht treaty, the troubles of continental Europe would demand tight monetary policy to offset government excess. That is why Britain's membership of the ERM became unsustainable.

Even if better timing had enabled the country to join at a less demanding exchange rate, the weakness of the economy would have undermined the currency.

The markets eventually find out an unsustainable policy.

Sterling has now been devalued sharply, but it continues to fall mainly because of the perceived weakness of the government. Confidence will be restored in due course if the government can convince the markets of its anti-inflationary credentials. Even though actual inflation is likely to remain low, the market's fears will persist like a toothache.

Mrs Thatcher showed an effective approach in 1981. It involved firm resistance to public sector pay demands and fiscal tightening, including tax increases – then, to check monetary growth, but necessary now to help restore the external balance. Given an equally convincing package now, the weakness of sterling would become a source of competitive strength: the currency would be seen as undervalued, and the large interest-rate cuts which some enthusiasts have been demanding could at last be made with acceptable risk.

### Difficult task

This is a demanding agenda for Mr Major, but at least he has time to tackle it. The world's leaders jointly face a more difficult task: to prevent a worldwide recession from inspiring a retreat into isolationism and trade protection, as happened in the 1930s. This task is doubly difficult for weak leaders.

The impetus for European integration should keep Britain and her partners on speaking terms, and must do so. Mr Major has quickly recognised this, and so ended a terrible 10 days of his premiership with some credit.

But the US is the key to world co-operation, and progress will have to wait for the election of its next president. It is encouraging at least that there has been so little overt protectionism in the campaign so far, and that Governor Clinton, a Fulbright protege, still the likely winner, may turn out to have the instincts of an internationalist.

Continued co-operation and open trading are important for the most prosperous countries in the world, but they would rub along without it. It is vital, however, for the most disrupted and for the most dynamic countries – the former Communist world, which desperately needs some hope, and the rapidly emerging market economies of the Pacific and Latin America, where there is a risk that success could be smothered at birth. That success must be preserved primarily for the sake of the huge populations at risk; but for the richest countries Latin America offers not only growing markets, but badly needed proof that there is, after all, life after debt.

**P**erhaps the single most significant indicator of German reaction to the latest storm in Anglo-German relations is the fact that *Bild Zeitung* has barely commented at all.

The mass circulation newspaper (4m-plus readers nationwide), which prides itself on having its finger on the pulse of the German street, has so far not deemed it worthy or relevant enough as an issue on which to wage war.

It was not so back at the time of impending unification in 1989 and 1990, when Britain's fears of a united Germany, intemperately expressed by the then Mr Nicholas Ridley, turned into a raging slagging match between *Bild* and the British tabloids.

This week the newspaper has done no more than mockingly report in a down-page story that

A junior British minister, speaking in spring last year at the annual Anglo-German Konigsberg conference, delivered an eloquent illustration of the unevenness of ties between Britain and Germany. Emphasising how reunited Germany should play a more active role in world affairs, he declared: "We would like the Germans to be more assertive – as long as they agree with us."

His remark provides an insight into the past few weeks' hubub between the two countries over the decline of sterling and the future of European integration. During the post-war period, Britain has always wanted a strong relationship with Germany. But, as one of the two European countries (along with France) with any pretensions to being a world power, Britain wanted to define these links, as far as possible, on its own terms.

Now, as a result of Germany's

development into Europe's pivotal

economic and political power, the

favourable terms of the 1950s and

1960s – or even of the 1970s and

1980s – are no longer on offer.

Against a background of evident

British economic weakness, the

relationship needs to be reshaped

– amid an atmosphere of bickering

and mistrust which is hardly conducive to mutual co-operation.

The criticisms by the British government, backed by the media, of

alleged German complicity in the

pound's collapse have been only the

latest example of irritation. German

ministers and officials – including

some in the Bundesbank – were

severely tried by the lack of sup-

port for reunification shown in 1989

and 1990 by the government of Mrs

Margaret (now Lady) Thatcher.

Both sides have done their best to

forget the episode, along with the

less serious affair in 1990 over anti-

German remarks by Mr Nicolas Rid-

ley, then industry secretary, who

was forced to resign. But bruised

feelings are still there – manifest

in barbed comments by Bonn offi-

cials as well as, occasionally, by the

German chancellor himself.

Not least because of the residue of ill-feeling, Mr John Major has made

repairing ties with Bonn one of his

priorities since he took over the premiership nearly two years ago. He

has succeeded in building a good

working relationship with Mr Kohl

– one which enabled him to

achieve Britain's "opt-out" accords

on economic and monetary union

(Emu) and on the social chapter at

last December's Maastricht summit.

None the less, the skirmishing has

flared up again during the past

year. Discontent has been sown by

differences on matters ranging from

polices towards the former Yugo-

slavia to the European Fighter Aircraft.

Germany's quest for a permanent

seat on the UN security council

has also set some alarm bells

ringing in Britain. Last week, the

Bonn government's (promptly aban-

doned) plans to support officially a

ceremony to commemorate the first

flight of Hitler's V2 rocket spurred

strong rebukes from British news-

papers and politicians.

If the Anglo-German partnership –

dubbed only a few years ago the "quiet alliance" – has grown caca-

phonic, this is partly a reflection

of the growing problems both coun-

**David Marsh on the reasons behind the recent bout of Anglo-German acrimony**

## Ugly noises mar quiet alliance



tries face at home. Germany is united. Yet, preoccupied by the exacting (and seriously underestimated) economic and social challenges it faces, it has yet to demonstrate that unification will prove a success. Britain is not only debilitated by recession. It is also caught between opposing fears of being ensnared in a German-dominated federal Europe, and of being excluded from a "core" of richer countries, which could forge ahead with integration in a "two-speed" Europe.

On both sides there is edginess and oversensitivity, combined with insufficient understanding for the other country's predicament. Just as Britain sometimes fails to comprehend the strains on Germany caused by an unprecedented influx of 400,000 asylum-seekers this year, the Bonn government admits it was late in spotting the full political importance of the pressures forcing Germany's exit from the ERM last month.

One German diplomat, upset at

the readiness with which Nazi caricatures surface in the British

media, compares the climate – perhaps somewhat drastically – to the sabre-rattling between the two countries before the First World War. Certainly, the ramifications of comments on the recent exchange market upheavals by Mr Helmut Schlesinger, the Bundesbank president, bear a resemblance to the celebrated Daily Telegraph affair in 1908. Then, indiscreet interview remarks by Emperor Wilhelm sparked off a crisis with Britain.

Mr Josef Joffe, foreign policy commentator of the *Süddeutsche Zeitung*, the Munich-based newspaper, says he has been surprised by the anger towards Germany in Whitehall in recent weeks. "I never thought you could build good cars, but I always thought you had a talent for keeping cool," he says.

Lord Roll, a veteran diplomat and now president of *S G Warburg*, points to the ease with which anti-German resentment can "bubble up" in Britain. "Ignorance and disdain, mixed up with envy, and jealousy, tend to rise up and poison the atmosphere," he adds. "This is dangerous, and it should be stopped."

Mr Major now says the same, with his appeal on Thursday for an end to the "war of words" between the two countries – announced at the same time as his decision to resubmit the Maastricht treaty to parliament. Mr Major's strategy of attaining D-Mark-like currency stability has disastrously misfired. But he appears to have been firmly told by Mr Kohl, during their one-hour telephone conversation on Wednesday, that Britain's credibility will take a further dive unless it goes ahead with ratifying the treaty.

In the light of the sterling debacle, the British government has been jealous of France's success in the last fortnight in maintaining the franc's parity against the D-Mark. Mr Major has, however, probably realised that too evident a show of Euro-scepticism in Britain would end up strengthening the Franco-German alliance – the opposite of what he intends.

In its European policies, Britain has one trump card to play with Germany. Mr Kohl has his own domestic reasons – above all, growing opposition to the abandonment of the D-Mark – for not proceeding too quickly to Ecu. In view of Britain's own scepticism about monetary union, Mr Major is thus a useful ally to have on board.

In the end, though, the future of European integration depends not on Britain, but on whether Germany overcomes its own economic difficulties in the next few years. If it fails, Mr Kohl and Mr Major may face the prospect not of a Europe of two speeds – but of a Europe proceeding at no speed at all.

back in Britain as a conspiracy. German commentators have closed ranks in defence of the Bundesbank, an institution which enjoys far more popular respect than the government itself or any other post-war establishment.

"It is true that the Bundesbank is not the inventor of diplomatic tact," the conservative newspaper *Die Welt* said yesterday. "But one thing it is not: lacking in solidarity. That is why it cannot allow the myth to be created by British politicians that sterling was brought down with a roll of German dice."

"It is absurd to say that the fall of the pound was stage-managed by the Bundesbank. It was determined by the markets."

That is the German consensus, and no amount of sound and fury from Westminster and Whitehall will shake it.

## Bemused and bewildered

Quentin Peel on the reaction to British sound and fury

"Germany-bashing" is the latest sport in Britain. It lets the headlines in the Sun and the Daily Star speak for themselves.

Not that Germany is immune to the criticism it receives. Concern over the international image of the country and its people is a full-time national occupation. The damage to Germany's image wreaked by the skinhead attacks on asylum-seekers in the east has caused an agonised debate. The insensitivity of an anniversary to commemorate the launching of the V2 rocket was also spotted – not thanks to any British protest – as a terrible mistake.

And yet the verbal onslaught

being doled out by Mr Norman Lamont and his Treasury spokes-

men is being watched with some-

thing more like pained bewilder-

ment, and largely without rea-

son. It is a very one-sided war.

The row has revealed more about

the continuing culture gap that

exists between Britain and Germany,

in spite of years of close

co-operation in the European Com-

munity, than about fundamental

differences of view.

On the one hand, German offi-

cials, not least Mr Helmut Schles-

inger, the president of the Bundes-

bank, appear to be naive and igno-

rant about some of the more aggres-

sive practices of the Anglo-Saxon media,

and the supercharged state of the British politi-

cal debate. Their attempts to justify

their actions have instantly been

twisted into broadsides and onslights in the conflict.

As for the British, they still

prove congenitally incapable of



## Trafalgar House holders loyal

By Roland Rudd

INSTITUTIONAL shareholders at Trafalgar House, the property, construction and engineering group, under siege from Hongkong Land, yesterday indicated they were unlikely to sell any more shares.

Hongkong Land, one of the colony's leading property investment and development companies, has acquired 14.99 per cent of Trafalgar and is tendering for another 15 per cent. It has until the end of

next week to try and increase its stake to 29.9 per cent.

Six of Trafalgar's 10 biggest shareholders, which sold between 5 and 15 per cent of their stock on Thursday, said they were unlikely to sell any more shares.

One institutional shareholder said: "Since Hongkong Land has set a floor of 85p - the price at which they bought the ordinary shares - there is little incentive for us to sell any more."

Some shareholders are also hoping that another company

may be tempted to make a full bid for the group.

However, any hopes that this could come from Hanson, the Anglo-US conglomerate, were dashed yesterday by Lord Hanson. "Trafalgar is much more something for Hongkong Land on a long-term basis than it would be for Hanson."

Mr Simon Keswick, chairman of Hongkong Land, is also a non-executive director of Hanson.

Trafalgar is preparing to send a circular to its shareholders on Tuesday telling

them that net borrowings for the financial year ended September 30 are less than £200m.

Mr Eric Parker, chief executive, said: "Hongkong Land's tender offer is an attempt to gain effective control of all our assets for an investment of some £175m. We are determined to try and stop them buying any more of our shares."

Trafalgar has also asked its financial advisers, Kleinwort Benson, to seek buyers for its bonds, which include the Ritz and the Stafford.

## Clarke Foods' shares suspended

By Peggy Hollinger

CLARKE FOODS, the UK's second largest ice-cream maker and owner of Lyons Maid, is facing a severe cash crisis which yesterday resulted in the suspension of its USM-quoted shares at 8p.

The company is seeking an urgent capital injection which would buy time for the arrangement of a rights issue for some other form of equity finance.

The shares have fallen rapidly from their peak of 16p just four months ago, as Clarke

encountered problems with the installation of equipment.

As a result, the company missed the two hottest months of the summer and achieved only 25 per cent of planned ice-cream sales. A £4m advertising campaign was virtually wasted as many consumers were unable to find the product in shops.

Last month Clarke recalled the interim dividend and announced it was in discussions with National Westminster about an overdraft facility. However, NatWest has demanded proof of a capital

injection before agreeing to provide short-term working capital.

The company is believed to be in talks with Hillsdown Holdings, which holds more than 20 per cent of Clarke, about a possible solution.

Any injection is likely to result in changes to the board, of which Mr Henry Clarke, the inspiration and driving force behind Clarke Foods, is chairman. The Clarke family holding is also likely to be diluted from its current 35 per cent.

Mr Clarke's ice-cream pedigree goes back several years, to his promotion of the Klondike bar, America's best selling novelty ice-cream, in the 1970s. He has also had a volatile history, having been ousted from two separate companies.

Mr Clarke came out of a brief retirement to enter the UK ice-cream market through the USM-quoted investment vehicle, Yelverton Investments, which was transformed into Clarke Foods. The company owns the Fiesta, Horton and Lewis brands, purchased from Hillsdown Holdings in 1991, and Lyons Maid, bought in January from Allied-Lyons.

## Scottish TV nearly doubled at £2.2m

By Raymond Snoddy

SCOTTISH TELEVISION yesterday announced improved pre-tax profits of £2.2m against £1.6m for the half year to June 30.

"In a period when trading conditions throughout the country stubbornly refused to improve these results are very satisfactory," Mr Bill Brown, the chairman said.

There was a rise in programme sales from 27.73m to 29.5m and underlying costs in the main television business continued to fall, the company said.

Scottish benefited from a reduction in the Exchequer Levy from 22.3m to 22.49m, but there was also an exceptional

charge of £2m to pay for voluntary early leavers and redundancies.

Scottish, which retained its franchise unopposed with an annual bid of £2,000, said that it had been using this year for intensive preparation for the new 10-year licence period which begins in January.

"With the substantial reduction in our cost base we shall be able to take full advantage of the favourable conditions on which the licence was obtained," Mr Brown said.

Despite the depths of the recession, Scottish said its full-year result would be substantially ahead of last year's £2.6m. Mr Neil Blackley, media analyst at stockbrokers James Capel, is forecasting £3.5m to

charge of £2m to pay for voluntary early leavers and redundancies.

Scottish believes that ITV will continue to be the most watched channel despite growing competition and that there will be real growth in airtime sales income across the decade.

Turnover at £57.2m was up from £52.1m. Earnings per share rose from 1.6p to 2.9p and the interim dividend is lifted from an adjusted 1.475p to 1.725p.

Turnover at the company's main non-television business, the Pauline Hyde outplacement agency, rose from £4.12m to £4.65m.

Although the result was in line with expectations Scottish Television's share price closed yesterday 21p down on the day at 418p.

## Fisons US operations chief resigns

By Paul Abrahams

THE HEAD of US operations at Fisons, the pharmaceuticals, scientific instruments and horticultural products company, has resigned following the group's failure to clinch the reintroduction of two of its withdrawn products in the American market.

Mr Stephen Attwood, president of Fisons Corporation and a director on the group's pharmaceuticals board, is leaving the company after 20 years. He was responsible for US sales and marketing operations as well as local regulatory affairs.

Fisons said the departure was entirely amicable.

Fisons' first half profits, announced last month, fell 53 per cent after pharmaceuticals sales fell £16m to £206m following the drugs' withdrawal. Mr Cedric Scroggs, chief executive, said the sales decline was unusual and unpredictable.

Opicrom, an eye treatment, was withdrawn from the US in 1989 after the Food and Drug Administration (FDA), the US drug licensing body, criticised production methods. In spite of a visit by FDA officials in April, the product is still not available in the US. The company said the fall in operating profits at the pharmaceuticals division from £68.1m to £23.1m for the first six months was partly caused by the absence of Opicrom and related problems.

The company has yet to decide whether to reapply for a licence for Imferon, a blood product, which was pulled in 1990. The cost of refurbishing the manufacturing facilities would be as much as £30m.

Fisons has also failed to gain a US licence for Thlaide, its new asthma treatment, which was expected to be launched on the American market two years ago.

The company has suffered difficult trading conditions, particularly in the Presto

## Davies & Newman faces drop in borrowing ceiling

By Jane Fuller

DAVIES & NEWMAN, owner of the Dan-Air airline, is facing a considerably lower borrowing ceiling than the £35m agreed with the banks in last year's rescue.

This prospect lies behind the attempt to refinance the company with the help of Mr Richard Branson, owner of Virgin Atlantic Airways, who would put money in - about £10m

has been mooted - possibly through a stake in Davies & Newman. The revamped airline would incorporate the Virgin name.

The looming debt overshoot had already led Mr David James, the company doctor, chairman at Davies & Newman, to approach institutional shareholders for another cash injection - believed to be about £40m.

This compares with last year's £49.3m, although more than £8m of that went out to the banks in special fees.

Last year's rescue was accompanied by the setting of a £35m limit on Davies & Newman's debt. This was linked to net worth which at the beginning of the year stood at about £41m.

Two things have happened since then to lower the debt ceiling. About £5m of aircraft have been sold, bringing the ceiling down to £30m.

In addition, instead of making a £20m pre-tax profit as projected, the company is heading for a loss which according to one estimate could be £10m.

Every £1 lost has the double effect of subtracting £1 from cash generation and £1 from the debt allowed. So the debt limit is heading for a figure nearer £20m than £30m.

The swing between peak cash and peak debt in the air-

line is estimated at £40m to £50m. As Davies & Newman will only just have got into double figures at its best time for cash, a debt limit near £20m was not going to be enough.

Mr James has reiterated that the problem is not an immediate one. He said the latest over-draft was "in low single figures".

However, as less flying and more maintenance work is done in the winter, the crunch would come next spring.

He said there was a substantial measure of agreement with Mr Branson on the principal parts of the deal. Detailed draft documents were being prepared and over the weekend groups of negotiators would continue to work on various issues.

The involvement of Mr Branson should make it a great deal easier to raise money from other investors, he added.

## Former directors' payments push James Wilkes into red

By Peggy Hollinger

PAYMENTS to former directors helped to push James Wilkes, the engineer which earlier this year fought off a hostile bid from rival Petrocon, into the red with interim profit losses of £31.6m, up from £16.1m.

However, sales for the group as a whole were just £223,000 in £28.4m. Operating profits for the six months to June 30 fell from £4m to £2.95m. Continuing businesses reported operating profits of £2.5m.

Mr Watt said Wilkes' remaining businesses had performed as well as, if not better than, last year. He said he expected the first half trading pattern to continue for the rest of the year. However, he added that he would be "devastated" if Wilkes remained in the red for the full year, before extraordi-

nary items.

The chairman expected gearing to remain at the current 92 per cent, which was 72 points lower than last year. Interest charges were slightly higher at £1.9m (£1.6m).

The battle against Petrocon's bid cost Wilkes £1.6m in extraordinary items. The £26.2m loss on the sale of the aviation division was also taken below the line. Total extraordinary charges came to £5.1m, including the accounting requirement to write back £7.6m in goodwill which had previously written off.

As a result the retained loss was £6m, compared with a profit of £9.6m. The interim dividend was cut by 1.5p to 3.5p while the loss per share was 2.3p (10.4p earnings).

## Clifford Foods declines 60%

By Paul Taylor

CLIFFORD FOODS, the dairy products, fruit juice and food group which issued a profits warning in July, yesterday reported a 60 per cent decline in pre-tax profits.

The bonds are convertible from March 1998 at 300p. The premium, 16.6 per cent over the share price of 253p yesterday, is marginally higher than the 16.6 per cent premium on the last convertible bond issue by a UK company, Carlton Communications.

The bonds have a 15-year life and carry a coupon of 7% per cent - 1 1/4 per cent below the yield on UK gilts with a similar maturity.

Profits were further reduced by the effects of the continuing recession on the sales of convenience foods by Danby's Foods and Roy's Quality Foods, and particularly by price-cutting among companies supplying milk in non-returnable containers to supermarkets, an area which generates more than a quarter of group turnover.

Operating profits fell to £1.35m (£2.3m) with a further £120,000 (£126,000) from associates. Net interest payments declined to £380,000, against £401,000.

During the latest period the company said fruit juices and drinks continued to perform well, as did doorstep milk

rounds which are now about two-thirds franchised. Meanwhile, Morton Food's new crumb factory generated significant new business.

Mr Martin Bunting, chief executive, said the group expected trading levels in the second half to be significantly better than in either the first half or the 1991 second half.

Poor weather in July and August depressed fruit juice sales, but milk prices have been increased.

In addition Mr Bunting noted that the group's new fruit juice carbonation plant had started production in July and Roy's new factory was completed in August, drawing a large capital expenditure programme towards a close.

Earnings per share fell by 60 per cent to 4.11p (10.23p). The company is dipping into reserves slightly to pay an unchanged interim dividend of 4.4p a share.

## Chubb faces strike threat over wage freeze

By David Goodhart, Labour Editor

CHUBB GROUP could face strike action over its attempt to impose a six month wage freeze on the 530 workers in the lock, key and safe manufacturing parts of the company.

The union which represents the workers believes that in the course of the demerger with Bascel Electronics the Chubb directors have placed the company's image with City investors above fair treatment of employees.

Mr Michael Bradley, leader of the National Union of Lock and Metal Workers, said that Chubb was expecting a 35 per cent increase in profits to £28m in the seven months to October 9 and yet had imposed a pay freeze in August.

But analysts point out that the management that got Chubb into this dismal operating condition is broadly the same one as is at the helm today.

That does not mean shareholders should necessarily dump their holdings. Again reduced interest and exceptional charges will be a tremendous boost to earnings. And if the turnaround at data communications, mainly data modems, which is increasingly becoming a commodity business, is the area that requires immediate attention, Mr David Elsley, the chief executive says he is addressing this issue.

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Williams Holdings bought Yale & Valor, the locks company, last year for £240m and the same as the company's annual sales. On that basis Chubb should be worth £270m, which is 20 per cent above the £250m market capitalisation implied by the grey market closing price.

Chubb Electronics, shorn of Chubb's other business, is a different story. Chubb's profitability recovered strongly in the year to the end of March and is likely to continue to improve again this financial year.

Any further share price fall would mean that a bid was on the cards.

Chubb's slide to an abrupt halt

came in July when the company's

share price fell from 21.85p

to 18.49p (18.25p).

Chubb's share price has

recovered to 20.49p (20.25p).

Chubb's share price has

recovered to 22.54p (22.30p).

Chubb's share price has

recovered to 24.50p (24.26p).

Chubb's share price has

recovered to 26.50p (26.26p).

Chubb's share price has

recovered to 28.50p (28.26p).

Chubb's share price has

recovered to 30.50p (30.26p).

Chubb's share price has

recovered to 32.50p (32.26p).

Chubb's share price has

# A time to test the strengths of the rising son

Robert Hanson talks to Roland Rudd about his promotion to the board of the family firm

**W**HEN THE son rises, the share price often falls. Fund managers are nervous about backing companies managed on dynastic rather than meritocratic principles.

So the appointment of Mr. Robert Hanson to the board of Hanson, the Anglo-American conglomerate created by his father Lord Hanson, has raised eyebrows among fund managers, who fear the promotion smacks of nepotism.

Last week, after news of Mr. Hanson's promotion to the board chaired by his father, the company's shares rallied 3p on a day the market rallied.

Mr. Hanson, who celebrates his 32nd birthday today, is a man it was coincidence: "The idea that I am being groomed for chief executive or chairman is ridiculous", he says in an interview with the Financial Times.

As a director with special responsibilities for Europe his office, in the group's London headquarters in Grosvenor Place, is strategically placed on the sixth floor between his father's and that of Mr. Derek Bonham, chief executive.

"Life may not always be fair

and other executives here may feel they should be on the board. But Mr. Bonham wanted me on the board which approved my appointment. There will be no dynasty here because Hanson is a meritocracy."

Yet the possibility that the company could become a Hanson dynasty has upset some managers. A former executive said one of his nightmares was that he would come in one day to find Mr. Hanson his boss. "I did not go into business to serve a family," he said.

Mr. Hanson always thought he might go into the family business, but by that he means Hanson Transport, the privately-owned transportation company in Huddersfield, and not the publicly-quoted Hanson.

Indeed, he always assumed that he would never work for Hanson. When he joined NM Rothschild in 1983 Sir Evelyn (Lord White) were going to retire by the end of 1987. I had to think very carefully about whether I wanted to move.

"My father told me I could make of the job what I wanted. If I did well I could get on the fast track."

In May he joined as an associate director.

Mr. Hanson says his father's relationship with him at work

is no different from that Lord Hanson has with any other executive. He admits to being more adept, though, at avoiding Lord Hanson's legendary short fuse. "But if I screw up he will let off at me like anyone else."

Over the last two years Mr. Hanson has worked on acquisitions with Mr. Christopher Collins, who is married to a niece of Lord Hanson's. He was closely involved in the possible bids for PowerGen, the electricity generator, and Canary Wharf, the troubled property development, and helped draw up the plan to take a 28 per cent stake in Imperial Chemical Industries.

All three targeted companies were politically sensitive and appeared to consume a lot of the conglomerate's time. Mr. Hanson believes it was time well spent.

"We looked at them because of the opportunities of his new directorship. Mr. Hanson is aware that he has to play down the playboy image. I think things have changed since the fifties when it was cool to be seen out with film stars". His father was famous for being in the company of such people, but in the nineties "glamour does not mix with seriousness", he says.

At Eton and St Peter's College, Oxford, Mr. Hanson's taste for the fast life was well known, not least for his involvement in the notoriously riotous Assassins dining club and the Bullring - whose members were once photographed in the tabloids making Nazi salutes after a riotous dinner. Mr. Hanson was not a member at the time.

"I believe they do exist," says Mr. Hanson. "They are in Europe. One of my responsibilities is to look at the Continent more seriously. We have traditionally been nervous about buying companies on the Continent."

"Yet there are many undervalued and poorly managed conglomerates on the Continent. We have already looked at a number of different European companies. It is only a matter of time before we buy a big European group."

To take advantage of the opportunities of his new directorship Mr. Hanson is aware that he has to play down the playboy image. I think things have changed since the fifties when it was cool to be seen out with film stars". His father was famous for being in the company of such people, but in the nineties "glamour does not mix with seriousness", he says.



Robert Hanson: there will be no dynasty

## Restructuring helps Adwest rise to £7.5m

By Peggy Hollinger

**R**ESTRUCTURING appears to be paying off at Adwest, the engineering, property and power systems company, which yesterday announced a 6 per cent rise in annual pre-tax profits to £7.5m.

Mr. Fred Grant, chairman, said that falling the long promised economic recovery, "any success we have been able to achieve has been largely of our own making". He remained cautious about the current

year, despite a good first quarter. "We are running the business on a very short rein ... but we can still see soft spots in the economy."

Operating profits for the year to June 30 increased by 12 per cent to £10.1m on sales just 4 per cent ahead at £227m.

A significant turnaround in the power systems division, which included the previous loss-making defence business, was partly behind the increase.

Power systems had contrib-

uted slightly more than one-third of operating profits, against about a quarter last time. Defence accounted for about £20m of total sales.

The automotive division, which supplies components to Land Rover, Jaguar and Peugeot, had increased margins despite a 21m loss in the power steering business.

Mr. Graham Menzies, managing director, said he was reasonably confident that the power steering operation would be profitable in the current year, following the closure of a factory and increased sales to Japanese manufacturers such as Nissan.

The company was confident that it could increase sales per employee from £51,500 to £55,000 in the current year.

Earnings per share were 4.0p (2.7p) after a tax credit this time of £14.00. Again there is no dividend.

Mr. Grant said the company

had sold 186 houses in its joint venture with Bryant, compared with 146 last time. However, a move towards smaller houses meant the average price fell from £84,000 to £79,000. Margins had also declined.

The rent roll on the group's investment properties moved 7 per cent ahead in the six months to June 30 from £8.33m to £8.26m.

After two years of restructuring, Adwest had cut costs as far as possible, Mr. Grant said. About 800 jobs had been eliminated in the past two years, bringing the total to 2,485. The emphasis now would be on increasing productivity.

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## Bilton rises 7% to £8.88m

**P**RE-TAX profits of Bilton, the property investor and construction company, moved 7 per cent ahead in the six months to June 30 from £8.33m to £8.88m.

The rent roll on the group's investment properties moved 7 per cent ahead in the six months to June 30 from £8.33m to £8.26m.

Turnover from trading activi-

ties fell from £28.27m to £25.86m.

Property and investment contributed more at £11.4m, against £11.1m last time, while there was a fall from £884,000 to £388,000 in construction and housing.

The pre-tax result was

after administrative expenses of £1.04m (£1m) and interest charges which fell from £3.22m to £1.9m.

Earnings per share were 16.5p (9.6p) for a total of 7p. The shares rose 7p to close at 120p.

## NEWS DIGEST

### Dolphin Packaging falls 45% to £0.79m

**L**ower selling prices in Dolphin Packaging's markets, which reflected reductions in the costs of polymers and increased competition, led to a 45 per cent drop in pre-tax profits when it was cool to be seen out with film stars". His father was famous for being in the company of such people, but in the nineties "glamour does not mix with seriousness", he says.

Turnover declined from £41.1m to £29.9m.

Mr. Richard Robinow, the chairman, said that while crops were encouraging, tea prices continued at levels just insufficient to achieve a break-even position in the Bangladesh operation. Plantations reported a loss of £36,000 in the half year to June 30.

The company, which produces plastic packaging, primarily for the food industry, saw turnover fall from £13.8m to £12.3m. The interim dividend is being held at 1.7p, payable from earnings per share of 2.38p (4.88p).

Earnings fell to 0.1p (0.5p) per share.

its fall but there was a 21 per cent rise in overseas profits.

Mr. Martin Kidd, executive chairman, said the UK profit had fallen despite its business for Marks and Spencer continuing to progress.

Profits for the six months to June 30 were £572,000 (£532,000) on turnover improved from £30.7m to £33.8m, an increase of 9.2 per cent. Earnings per share came out at 2p (2.1p) after a higher tax charge and minority interests.

The interim dividend is maintained at 1.7p.

The company is proposing to change its name to Martin International Holdings.

## Carlisle interim losses deepen

**C**arlisle Group, the property services company, reported increased pre-tax losses of £707,000 in the first half of 1992, against £548,000. Turnover fell 22 per cent from £23.5m to £19.8m.

Mr. Jonathan Harris, chair-

man, said trading conditions had been extremely difficult and the cutting of costs continued.

Losses per share were 2.1p (2.7p) after a tax credit this time of £14.00. Again there is no dividend.

Mr. Grant said the company

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venture with Bryant, compared with 146 last time. However, a move towards smaller houses meant the average price fell from £84,000 to £79,000. Margins had also declined.

The rent roll on the group's investment properties moved 7 per cent ahead in the six months to June 30 from £8.33m to £8.26m.

After two years of restructuring, Adwest had cut costs as far as possible, Mr. Grant said. About 800 jobs had been eliminated in the past two years, bringing the total to 2,485. The emphasis now would be on increasing productivity.

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The rent roll on the

## INTERNATIONAL COMPANIES AND FINANCE

# Trygg-Hansa plunges to SKr5.5bn loss at 8 months

By Robert Taylor in Stockholm

TRYGG-HANSA SPP, Sweden's leading insurance group, plunged into a SKr5.57bn (\$1.04bn) loss for the first eight months of the year. This compares with a SKr1.09bn profit for the same period of 1991.

The main reason for the dramatic deterioration is the huge estimated loss of SKr6.01bn due to its major holdings in Gota AB, the Swedish holding company, Svenska Kredit, the leading private export credit company, and IC Holding, the credit company, all of which are in liquidation.

The group was also hit by the fall in share prices and property values.

The losses suffered from the group's involvement in Gota are estimated to be SKr5.5bn. Earlier this week the group appointed a receiver and went into liquidation.

The insurance company's association with Gota has

turned out to be an unhappy one since it became its major shareholder as a result of the merger in November 1990 between Trygg-Hansa and the SPP pension insurance group.

In April this year Trygg-Hansa SPP made a SKr1.4bn bid to buy the whole of Gota AB.

Mr Björn Sprangare, chief executive of Trygg-Hansa SPP, said last night that while the group's shareholders would be hit by the heavy losses incurred in the first eight months, they would not affect insurance policy holders.

"Despite this considerable loss the holding company has a powerful economic position," he added. "The company is stronger than any other insurance company in Sweden".

For the first eight months Trygg-Hansa SPP's insurance operations performed positively, with a SKr3.3m operating profit, though this was a 41 per cent drop from the SKr5.2m profit made over the same period of 1991. Premiums earned totalled SKr1.60bn for the same period of 1991.

The group showed a negative equity/assets ratio compared with 15 per cent for the first eight months of last year and it recorded a loss of SKr8.80bn per share, compared with a gain of SKr1.60bn for the same period of 1991.

STET acquires 83% of Finsiel

By Robert Graham in Rome

STET, the telecommunications group controlled by IRI, the Italian state holding company, yesterday announced it was buying IRI's 83 per cent stake in Finsiel, the data processing group, for L700m (\$565.4m).

The deal has been under consideration for some time and represents a major rationalisation of Italy's telecommunications and software industry.

The move has been prompted by developments in the European telecommunications industry with telephone companies spreading into the fast

expanding services sector.

STET officials cited the recent case of France Telecom taking a stake in Cap Gemini. STET derives 74 per cent of its income from telecommunications services, 17 per cent from manufacturing and installation companies and 9 per cent from publishing and diversified activities.

It controls Italy's state owned telecommunications activities, notably SIP, the main operating utility and last year returned net profits of L1.41bn on sales of L2.946bn. Finsiel is the financial holding company co-ordinating

IRI's software activities and turned in a net profit of L1.29bn on sales of L1.283bn.

Last year Olivetti sought to carry out a reverse takeover of Finsiel but was turned down. Olivetti's overtures then accepted the STET takeover.

IRI is reducing its stake in STET to around 53 per cent of the ordinary shares and 1 per cent of savings stock.

A definitive price tag for the deal will be fixed by November 30. Yesterday it was not clear what would happen to the remaining 16.7 per cent of Finsiel held by the Bank of Italy.

## Elf in plastics venture with Rhône-Poulenc

By William Dawkins in Paris

ELF Aquitaine, the French oil group and Rhône-Poulenc, France's leading chemicals company, yesterday announced a joint venture in plastic films, marking an improvement in the cool relations between the two state-owned companies.

Elf's chemicals subsidiary, Elf Atochem, is to take majority control of the venture, Soprial, which will have a turnover of FFr800m (\$187.4m) in four plants across Europe and be one of the region's largest producers of food wrapping film.

Mr Loïk Le Floch-Prigent, the current chairman of Elf Aquitaine, who is close to the Socialist party, was ousted as head of Rhône-Poulenc in 1986 by the conservative government of the time.

He was replaced by Mr Jean-René Fourtou, a close friend of former president Mr Valéry Giscard d'Estaing, leader of the centre-right UDF party, and appointed to his present job at Elf by the Socialist administration in 1989.

Since then, collaboration between the two groups has been rare and relations between their chairmen distant.

The judgment by a court of appeals upholds a 1981 ruling which found that Johnson & Johnson had wilfully infringed MMM's patents on fibreglass casting materials.

## Roquefort returns to the French cheeseboard

By William Dawkins in Paris

ROQUEFORT, one of France's best known smelly cheeses, yesterday escaped from being Swiss when Nestlé, the food multinational, sold a controlling slice to Bemier, a leading French cheese supplier.

Bemier, best known for its mild creamy Pont l'Eveque cheese, has agreed to pay Nestlé FFr863m (\$180.5m) for the Swiss company's 57 per cent stake in Caves de Roquefort, valuing it at FFr1.5bn.

Caves de Roquefort used to be subsidiary of Source Perrier, maker of the celebrated fizzy mineral water, which Nestlé took over in a contested bid battle against Italy's Agnelli family early this year.

Roquefort's future was highly dairy used at the time, Nestlé took over in a contested bid battle against Italy's Agnelli family early this year.

The decline of Roquefort accounts for 80 per cent of world production of this cheese and made a FFr36m profit on sales of FFr1.28bn last year.

Nestlé made clear at the time of the Perrier takeover that it wanted to sell its stake and offered Crédit Agricole, the agricultural co-operative bank, which owns 26 per cent of the cheese maker, first refusal.

Bemier won the deal against competition from France's three other leading cheese groups, Bongrain, Entremont and Nestlé.

Unilever, the Anglo-Dutch consumer products group is also said to have been interested.

## J&J settles patent suit

JOHNSON & Johnson, the US health care group, was yesterday ordered to pay Minnesota Mining & Manufacturing (MMM) about \$125m in damages to settle a patent infringement suit, writes Karen Zagor in New York.

Johnson & Johnson does not expect the charge, which will be reflected in third-quarter results, to have a material impact on earnings.

The judgment by a court of appeals upholds a 1981 ruling which found that Johnson & Johnson had wilfully infringed MMM's patents on fibreglass casting materials.

## Japanese banks 'need more aid'

By Robert Thomson in Tokyo

JAPANESE BANKS will need more government assistance than has been announced if they are to overcome quickly the burden of non-performing loans, a study by Moody's Investors Service, the US credit rating agency, recommended yesterday.

The agency examined the likely impact of tax and other concessions granted by the government, and suggested that the measures, including the establishment of a land purchase agency, will have a "limited effect on the banks' asset quality".

Meanwhile, the Ministry of

Finance yesterday indicated that it would tighten control over non-bank financial institutions, such as leasing and consumer credit companies, by requiring those with loan portfolios of more than Y50bn (\$416.7m) to report their non-performing loans at the end of this fiscal year.

The Japanese government has tended to blame "non-banks" for the feverish lending of the late 1980s, in an apparent attempt to divert attention from the role of mainstream institutions.

Although many of these non-banks are actually affiliates of the leading banks.

About 300 of Japan's esti-

mated 37,000 non-banks would be subject to the new rule, if implemented.

It is clear some non-banks have a heavy burden of non-performing loans, but the ministry may not release that information for fear of undermining confidence in the financial system.

The government lifted a limit on dividend payout ratios, broadened tax concessions on the write-off of bad debts, and proposed the establishment of a body that would attempt to stimulate the ailing property market by purchasing land used as collateral.

Moody's said the banks' bal-

ance sheets would be improved if the government made loan losses fully tax-deductible and if problem property assets were purchased by a government agency at book value.

However, the agency said these measures would involve "very costly subsidies" and need political support that now appears to be lacking.

## Renault and Volvo plan joint new range of luxury cars

By Kevin Done, Motor Industry Correspondent

Renault and Volvo are to develop jointly a new range of top-of-the-line executive cars to be sold in Europe from the end of the decade.

The joint car project marks a significant step forward for the two vehicle makers, which have been developing a far-reaching alliance since September 1990.

Renault said yesterday the two groups had decided to develop a common platform for the new range of executive

cars, which would allow the use of many common components, most importantly common engines and gearboxes.

While having a high degree of commonality "under the skin", the cars would have different body styles and would maintain independent Volvo and Renault brand identities for sale through their separate distribution networks.

It is expected that the Renault version would replace its new generation Renault Safir executive car, launched this year in Europe to replace the Renault 25.

According to Renault the new joint car range would replace the present Volvo 850, which has been launched by the Swedish car maker during the last 12 months.

The joint Renault/Volvo car project is taking a similar approach to that already used by the Peugeot group for its Peugeot and Citroën marques. Its current top-of-the-range Citroën XM and Peugeot 605 cars share a common platform, engines and gearboxes, but maintain very separate identities in the market.

## Pöhl to join Corange in Bermuda

By Andrew Fisher in Frankfurt

Mr Karl Otto Pöhl, former president of the Bundesbank, is to become deputy chairman of Corange, the Bermuda-based holding company which owns a leading German health care concern, Boehringer Mannheim.

Corange, owned by the Engelhorn family, is undergoing a board restructuring designed to "help to stimulate the disciplines of a public company".

This means setting up a framework within which management will be subjected to the same sort of independent scrutiny that public companies receive from shareholders and analysts.

Its new board will contain no present or former members of management.

The exception is Mr Curt Engelhorn, a member of the shareholding family who will continue as chief executive until a successor is found.

Also on the board is Mr Patrick Rich, chairman and chief executive officer of BOC Group. Three other independent directors have been appointed with three more to join later.

Boehringer Ingelheim - which has no connection with Boehringer Ingelheim, another German pharmaceutical company - achieved sales of \$2.9bn last year, against \$2.5bn in 1990, with profits before interest and taxes of \$245m (\$229m).

Its main activities are diagnostics, pharmaceuticals, orthopaedic products (through its DePuy unit), and biochemicals.

Mr Pöhl, who has begun speaking out again on world monetary issues, left the German central bank in the summer of 1991. He is a partner in Sal. Oppenheim, the Cologne-based private bank.

## USAir hits at BA deal critics

By Nikki Tait in New York

"It meets every requirement and stipulation of US law and should be judged on those merits alone."

US rules prohibit foreigners from owning more than 49 per cent of a domestic airline's shares or over 25 per cent of the voting stock.

The BA investment would fall within these limits, but the rival US carriers argue that provisions attached to the deal give BA effective control over the "big three" US carriers.

Mr Schofield, however, noted that the heavily loss-making US airline industry has already lost over 100,000 jobs in the past few years. "The Big Three have not saved those jobs," he said, "and blocking USAir's arrangement with British Airways will threaten even more jobs."

USAir could face more immediate problems, if a ballot among its 8,000-plus mechanics results in a proposed labour contract being turned down.

Balloting was continuing yesterday, but if the contract is rejected, strike action recommended by the International Association of Machinists and Aerospace Workers - could be taken.

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Balloting was continuing yesterday, but if the contract is rejected, strike action recommended by the International Association of Machinists and Aerospace Workers - could be taken.

The BA investment would fall within these limits, but the rival US carriers argue that provisions attached to the deal give BA effective control over the "big three" US carriers.

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Another large fall for sterling

STERLING plunged nearly 5 pence against the D-Mark yesterday after the Bundesbank failed to cut rates as many dealers had expected, writes James Blitz.

Yesterday was the day the market has been waiting for all week, with the Bundesbank council meeting and the September non-farm payroll figure in the US. In the end, neither event yielded great changes. The Bundesbank did not cut rates, but made more accommodating noises on policy. The headline payroll figure was down 57,000, far less than had been expected, but the underlying gloom over the US economy remained.

The net result was to leave the dollar weak in the afternoon, pushing it down to a close of DM4,088 from a previous DM4,265. In the European exchange rate mechanism, the unrelieved pressure of German interest rates forced down the Spanish peseta and the Portuguese escudo, while the Irish

punt was again reported to have touched its ERM floor.

In this turbulent European sea, sterling stands out as one major currency which is not anchored by an exchange rate discipline, an economic policy or a steady government.

It was besieged by the wildest rumours yesterday, including the idea that Moody's rating agency was about to down-grade the UK's foreign debt.

Mr Jim O'Neill, head of research at Swiss Bank Corporation, said that the pound had come under pressure from short-term interbank dealing rather than the off-loading of bonds and currency by big institutional investors. That would probably explain why the currency sprang back to a close of DM4,262. It closed in London on DM4,230, 1.25 pence down on the week.

But Mr Mark Austin, chief economist at Hong Kong and Shanghai Banking Corporation

said that sterling's fall was "disturbing". Neither the size of the fall, nor the speed, had been anticipated. "There were simply no buyers for the currency at any price during the afternoon," he said.

At the end of another turbulent week in the markets, much uncertainty remains.

Mr O'Neill is bearish about the dollar and believes that it could easily go below the historic low of DM1,388. "The payroll figure was regarded as good, because people had expected so much worse," he said. "But the weak US economy and political uncertainty in the US will push the dollar down."

The Bundesbank President's comment that interest rates will remain steady for the "time being" hangs over the Spanish peseta. Yesterday the Spanish government raised its intervention rate by 1 per cent as the pesetas fell to a close of 71.23 against the D-Mark, very near its ERM floor of 72.52.

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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ♦ Bargains done the previous day

## British Funds, etc

No. of bargains included 1503

100% Gld Nts 2000/03 - £125k

100% Gld Nts 2005 - £125k

Exchequer 100% Gld Nts 2005 - £109k

Guaranteed Export Finance Corp Plc

12% Gld Nts 2000/03 - £120k

100% Gld Nts 200

# Setback as interest rate hopes fade

By Terry Byland  
UK Stock Market Editor

THE LONDON stock market yesterday paid dearly for the interest rate optimism which had started it earlier in the week. Gains in share prices were sharply reversed as sterling, which in the US were dashed. The two-week equity trading account ended on a sour note with the FTSE index showing a fall of more than 22 points on the day.

The deepening setback in the pound now casts serious questions over whether another early cut in UK base rates is possible, according to Mr Ian Barnett, strategist at Strauss Turnbull. The stock market

firm opening in stock index futures. The Footsie was quickly ahead by 12.7 points before it began to fade as it awaited confirmation that the Bundesbank was leaving interest rates unchanged.

But the slide in equities gathered pace significantly after better employment data than expected in the US appeared to eliminate the chance of a further easing in Federal Reserve credit policy at present.

With sterling nearly eight pence down against the DM and the Dow Industrial Average 31 off at the London close, the Footsie did well to rally for a final reading of 2,549.7, a net loss on the day of 22.6. Share volume fell to 395,000 shares from Thursday's 823,000, which

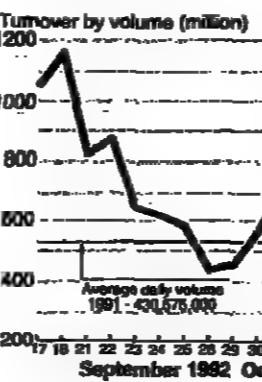
was worth £1.4bn in retail business, maintaining the improved customer business levels seen since sterling left the ERM network.

The stock market has fallen by around 2 per cent this week as sterling's weakness and calls for the resignation of Mr Norman Lamont, the UK chancellor of the exchequer, have unsettled expectations that UK base rates could be cut to 8 per cent by Christmas. However, over the two-week account, the fall in the Footsie has been only about 0.7 per cent.

Government bonds gave back early gains and closed lower as sterling fell. Losses among the long dates were no more than 1/4 with the shorts showing similar losses. Index-linked also gave back gains.

After receding from the levels which followed sterling's withdrawal from the ERM, retail volume has begun to rise again.

## London SE volume



1992  
Sept 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31  
Oct 1 2 3

Average daily volume  
1991: 420,275,000

## Upgrades boost stores

UPGRADES in profits estimates for Storehouse by four leading securities houses boosted shares in the clothing group yesterday as it hinted before moved into the closed period when companies are inhibited from commenting on trading progress. SG Warburg, UBS Phillips and Drew, Nomura and County NatWest all raised forecasts, the range increasing by around £5m to a range of £24m-£28m. Sales increases at both Mothercare and BHS are credited for the upgrades, although some analysts also highlighted the group's restructuring measures and more focused management strategy.

However, it was also pointed out that the figures compare with weak sales in the comparable period and that trading has fallen somewhat in the last two weeks as poor summer weather has affected the autumn selling season.

Ms Kimon Cook at County NatWest, who changed to a buyer of the stock two weeks ago, estimates that group sales are up around 9 per cent in the first half this year, with Mothercare up 12 per cent and BHS 11 per cent.

Storehouse shares climbed 8 to 125p and also gave a boost to other clothing retailers, among them Next added 6 to 105p and Burton 7 to 415p.

## Utilities active

After the shock of the price cuts in water supply ordered by Ofwat, some brokers took the opportunity to reassess prospects for the utility sector to allow for possible further regulatory action in the future. However, the main message was that in the current short-term economic uncertainty, utilities continue to offer safe and strong dividend growth. Mr Peter Hyde at Kleinwort Benson believes the downside risk for water stocks remains long-term and that in the short-term they will perform well.

However, Mr Simon Taylor at Robert Flemings is advising clients to go underweight in waters because of the potential for further and harsher regulatory measures. However, Ms Donna Lury at Nikko said that

Trafalgar House, in which Hongkong Land now has a near 15 per cent stake had a calmer session yesterday. The shares fell 4 to 85p, around the price at which Hongkong Land has said it wants to acquire another 15 per cent in the ordinary shares reached 63p.

Business services group BET was once again at the receiving end of a broker's downgrading, this time from Strauss Turnbull. The shares fell another 7 to 25p.

British Telecom announced a new package of pricing mechanisms, designed to strengthen brand loyalty. The shares shed 1/2 to 355p. Talk that enquiries to Vodafone's new Low-Call cellular operation were very encouraging lifted the shares 7 to 340p.

Elsewhere in the sector, shares in Pilkington fell 6 to 77p, making it the day's worst performing stock in the market, in percentage terms. Fisons helped Cadbury-Schweppes would be making large redundancy provisions overhauling the shares, which fell back to 425p, as most houses downgraded the food group. Nomura was recommending a switch into Unilever, 17 ahead at 107p. Old Whirls, that Daltrey, down 4 at 415p, was stalking RHM were given little credence by the market. The shares climbed 7 to 175p. A big seller of stock in WH Smith knocked the stores group back

14 to 426p.

In a week breweries sector, Scottish and Newcastle retreated 18 to 412p. The company was hosting an analysis visit to one of its Centre Parcs complexes in Park and lack of feedback from France appeared to be restraining the shares yesterday. There was more bleak news for Grand Metropolitan - the drinks group has been under pressure all week from brokers downgrades - as US investment bank Paine Webber reduced its profit forecast. The shares shed 18 to 384p.

A recommendation from Kleinwort Benson helped Fisons gain 7 to 185p. SmithKline Beecham held up ahead of a meeting of the US authorities on Monday where approval is expected for Seroxat, one of the company's frontline drugs. The shares lost a penny to 491p.

Profit taking left Enterprise Oil 5 lighter at 425p. The shares had performed particularly well for most of the week, following news that it had filed for a listing of its American Depository Shares (ADR) in New York.

Investors continued to view Shell Transport, as the "quality stock" in the oil sector and the shares held up relatively well, easing only 2 to 545p, on turnover of 545p.

Shares in USM-listed Ramco Oil jumped 15 to 51p, after announcing it (and a partner) had signed an exclusive exploration agreement with the Government of Azerbaijan to develop a field in the Caspian Sea.

Shares in freight group NFC fell sharply after the company issued 280m worth of convertible bonds. The shares closed 17 down at 22p.

The news that British Airways is to postpone plans to proceed with the implementation of its \$750m purchase of a 44 per cent stake in USAir upset the shares which eased 6 to 389p. Sellers were seen in P&O and the shares retreated 12 to 388p. Profit taking in BAA left the shares 14 lighter at 713p.

In engineers, TI Group jumped 16 to 285p, on further appreciation of the lower than anticipated provisions made for the Dowty Group acquisition. Sentiment was also boosted by the appreciating dollar.

Siebe, normally a beneficiary of an improved dollar, retreated 18 to 341p, with broker Williams de Broe reported to have a large line of the stock on its books. The stock was also said to have suffered from switching.

## NEW HIGHS AND LOWS FOR 1992

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Unit Trust	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield	Ref. Price	Offer Price	Yield		
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Whitingsdale Unit Trust Mgmt Ltd (0830)P	107.400-108.00	107.400-108.00	0.00	AEGON Life Assurance Co (UK) Ltd	101.530-8000	101.530-8000	0.00	Common Assurance Ltd - Contd.	100.00	100.00	0.00	Guardian Royal Exchange - Contd.	109.7	109.7	0.00	Legal & General - Contd.	100.00	100.00	0.00
James 3 Capital Fund	100.00	100.00	0.00	Life Services Fund	109.5	115.5	1.5	Aviva	114.5	116.6	0.00	Group Pension Fund	136.0	136.0	0.00	Guardian Royal Exchange	109.7	109.7	0.00	Midland Life Limited	100.00	100.00	0.00
Gen Inv Fund	100.00	100.00	0.00	Central Growth Fund	109.5	120.5	1.5	Europe	126.4	127.0	0.00	Management Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
UK Growth	100.00	100.00	0.00	Managed 2	101.5	152.1	1.00	Edwards Fund	100.0	100.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Global Fund	100.00	100.00	0.00	Managed 4	101.5	152.1	1.00	International Fund	101.6	105.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 5	101.5	152.1	1.00	Investment Fund	100.0	105.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 6	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 7	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 8	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 9	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 10	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 11	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 12	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 13	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 14	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 15	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 16	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 17	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 18	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 19	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 20	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 21	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 22	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 23	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 24	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 25	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 26	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 27	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 28	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 29	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 30	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 31	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00	100.00	0.00	Managed 32	101.5	152.1	1.00	Shore	123.2	125.0	0.00	Edwards Fund	136.0	136.0	0.00	Horizon Life Assurance Co Ltd	100.00	100.00	0.00				
Shares (Albert E. & Co) 110000P	100.00																						

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## AMERICA

# September jobs report sparks heavy selling

## Wall Street

A MIXED September employment report sparked heavy selling on US markets yesterday as investors' hopes for another interest rate cut receded in the wake of the data, writes Patrick Harverson in New York.

By 1pm the Dow Jones Industrial Average was down 33.50 at 3,220.57, slightly off its low for the session. The more broadly-based Standard & Poor's 500 was also sharply lower at 420.40 at 412.09, while the Amex composite was down 2.33 at 371.83 and the Nasdaq composite 5.83 lower at 572.50. Turnover on the NYSE was 11.5m shares by 1pm.

Although the keenly awaited September employment report was not as bad as most analysts had been expecting - non-farm payrolls fell 57,000, compared with the forecast of 120,000 and the national jobless rate dropped unexpectedly from 7.6 per cent to 7.5 per cent - the market still did not like what it saw.

The details of the figures were not promising, with the average working week and hourly earnings both lower last month. Overall, the data provided little reason to hope for much of a recovery over the rest of the year. Only an interest rate cut from the Federal Reserve could have lifted the market's gloom, but yesterday's figures were deemed insufficiently distressing to prompt such a move.

Among individual stocks banks were mostly lower on disappointment at the lack of a rate cut. BankAmerica slipped 3% to \$43.75, Citicorp by 3% to \$54.50, Chemical gave up 3% to \$33.4, Banc One shed 3% to \$44.2, and Chase Manhattan fell 3% to \$22.75.

K-Mart fell 3% to \$23.84 after announcing that it would issue convertible preferred stock to finance the acquisition of Bor-

ders, a private book supermarket chain. Details on the value of the deal were not available.

Profits warnings sent several shares tumbling. JWP plunged

The São Paulo Stock Exchange (Bovespa) index fell by 4.8 per cent to 44,473 by midday after the announcement that Mr Gustavo Krause has been appointed as finance minister, writes Bill Hinchliffe in São Paulo. Trading was higher than normal over recent months, with about \$55m changing hands by midday. The Bovespa rose by 4.7 per cent on Thursday.

\$3.1 to \$3.4 in turnover of 1.5m shares after the company said it expected to report a third quarter loss of 50 cents a share, compared with a profit of 39 cents a share a year ago.

Another company warning of a third quarter loss was Porta Systems, which tumbled \$2.4 to \$12.4 on the American Stock Exchange.

## Canada

TORONTO extended its losses to a seventh consecutive session as disappointing US employment data and uncertainty surrounding a Canada unity deal sent equities 1.3 per cent lower. The TSE 300 composite index was down 43.5 at 3,231.6 by midsession in volume of 19.4m shares. Declines led advances by 316 to 113 in turnover of C\$630m.

## SOUTH AFRICA

JOHANNESBURG saw De Beers marked down on reports of a negative television documentary on the diamond industry due to be screened in the UK on Monday. Its shares fell to a new 12-month low of R50.50 before recovering to R50.85 down R1.90. The overall index fell 34 to 3,180 and industrials were 18 lower at 4,181. The gold index was off 6 at 567.

However, dealers were talking more bearishly later,

# Mr Perot muddies election waters once again

But with a Clinton victory in prospect, Patrick Harverson details a sector-by-sector investment approach

Ross Perot has really put the cat among the pigeons now. Just when the stock markets had not only become used to a two-horse race for the White House, but were also gradually coming to terms with the prospect of a Democratic victory, Mr Perot re-entered the race on Thursday.

Mr Perot's re-entry has muddied the electoral waters, and it is much too early to tell how it might affect the final result. A consensus, however, is gradually emerging about what a Clinton victory might mean for the equity markets, and for individual sectors and stocks in particular.

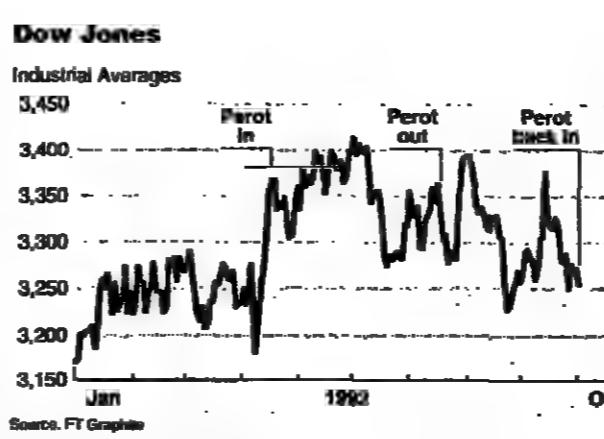
One of the best reviews of the potential impact on stock prices of a leftward shift in US politics was published this week by New York broking house Donaldson, Lufkin & Jenrette.

The report kicks off by predicting that Governor Clinton will win, although it was compiled before Mr Perot's return to the race. It has no clear conclusion on what a Clinton

administration would mean for the equity market as a whole - there is, wisely, no prediction of where the Dow would be at the end of the first year of a Clinton presidency - but the report does provide some insights into the possible implications for individual sectors.

Auto and related stocks. What the car industry needs is volume, says DLJ, and Clinton's proposed middle-class tax cuts "should be just the ticket for a nice boost in auto demand." Democratic plans for action on research and development tax credits are also welcomed. Any urge to increase import restrictions on foreign cars, however, would not be good in the long run (it could lead to higher car prices and remove the incentive on US manufacturers to improve quality); auto executives in Detroit are reportedly very worried by the thought of an environmental vice president, Al Gore, and do not want a further tightening of restrictions under the Clean Air Act.

Banks. The introduction by the Democrats of government by programmes which lead to more fiscal stimulus and economic growth would be good for the sector, but any extension of banking regulation could "further restrict the US banking industry from being an efficient financial intermediary, both domestically and globally." DLJ also points out that the best possible environment for US bank stocks is slow, steady, non-inflationary growth, which is what the US has now. Change, therefore,



brokers have shown the least sensitivity on this score.

Food and Beverages. Although food and beverage stocks are thought to have little fundamental exposure to a Democratic administration, higher inflation and interest rates would lower price-earnings ratios for stable growth companies in this sector - so be warned. Investors in Anheuser-Busch, Coca-Cola, Campbell Soups, General Mills and Kellogg, to name just a few.

Healthcare. This is the sector that will be most affected by a change of government. On the positive side, any extension of the health insurance programmes would stimulate demand for pharmaceuticals and hospital supply items. On the negative, the Democrats want to control prices on pharmaceuticals reimbursed by public health schemes.

In fact, earlier this week investors began discounting the implication of price controls for medical companies' earnings by selling a range of stocks, including United Healthcare, Merck and Johnson & Johnson.

Retailing. Although the initial burst of Democratic spending would be positive for retailing, DLJ warns that higher interest rates and inflation would clamp down on any recovery, and so investors should seek out retailers with the resources to expand and have lower cost structures: this means Wal-Mart, Home Depot, Costco, Albertson's and Circuit City.

Machine. Clinton proposes to spend \$200m on road building, infrastructure and related programmes over the next four years. He also wants to increase spending on education by 30 per cent over three years, with the emphasis on vocational training. The machinery sector has a shortage of workers with such training. DLJ believes the North American Free Trade Agreement, vital to the future prosperity of the machinery industry, will not be altered much by Clinton. Consequently, a Democratic president would be good for the sector, especially Caterpillar.

may not be a good thing.

Financial Services. DLJ anticipates higher inflation and higher long-term interest rates if the Democrats go ahead with their spending plans. Among the financial service stocks which have traditionally fared worst in such an environment are Dreyfus and Kemper, two investment fund groups, American General, a diversified financial services company, and Sallie Mae, the student loan provider. Securi-

ties

## EUROPE

# Bourses weaken on German and US influences

THE LACK of movement from the Bundesbank, followed by steady US September jobless data and its implications for US interest rates, left bourses mostly lower yesterday, writes Our Markets Staff.

FRANKFURT fell to a DAX index low of 1,474.25 in the last half hour before recovering to 1,476.04, 5.99 down on the day and 2.3 per cent down on the week. German market turnover from DM5.1bn to DM3.5bn.

Strong gains for the dollar on the jobless data were seen initially as supportive of Germany's cyclical and export-oriented corporate economy. Among major exporters the carmaker BMW, for which the US is a key market, continued to drift upwards, trading at DM477 in after-market computer business after an official close of DM475.60.

Peugeot continued to fall following Thursday's results, and

and the run of depressing economic news continued as the association of German machine and machine tool wholesalers said that it expected 1992 turnover to fall by 3 to 5.5 per cent this year.

PARIS was disappointed by the Bundesbank's announcement and Thursday's poor interim results. The CAC 40 index closed down 40.68 or 2.4 per cent at 1,683.34, a decline of 8.6 per cent on the week. Turnover was moderate at FF74.2bn.

Eurodyssey fell on low September attendance and apparent difficulty in attracting foreign tourists. Sterling and lira devaluations were reported to have depressed custom. The shares closed FF71.60 lower at FF76.40. Eurotunnel, which said that it will meet analysts on Monday to present new rev-

enue forecasts, was FF71.40 weaker than FF75.30.

UAP fell 17.50 on losses at its Banque Worms subsidiary. Société Générale lost FF12 to FF16 and Axa shed FF44 to FF734.

MADRID ended with a slight rise but the general feeling was that a further devaluation in the peseta, and up to a 1 per cent rise in interest rates, was imminent. The general index closed 0.27 higher at 1,662.28, a trend reflected in the Ibex which at one time had been more than 2 per cent lower.

On the week, the general index was 7 per cent lower, but a significant feature yesterday was the return of foreign buyers who have been absent over the last few days.

MILAN mixed the week's disappointing results, from Montedison and EniChem, with speculation and tax influences.

The result were a Comit index 2.17 higher at 3,655.27, up 1.0 per cent on the week and one or two exciting individual moves; but there was an underlying feeling that the corporate sector had more woes to come.

The Fiat group retail and construction companies, Rinascente and Cogefar, rose 8.3 per cent to 14,050 lire and 10.6 per cent to 1,151.20 after temporary suspension. The excitement followed the Fiat statement that it may sell some non-strategic assets to help finance a heavy car investment programme.

Tax news included newspaper reports that capital gains tax might be suspended for six months and, more ominously, the imposition by decree of the 0.7 per cent tax on corporate net assets and the abolition of local tax deductibility.

Mr Enrico Ponzoni and Ms Fiona Marshall of Kleinwort Benson calculate that the

deductibility abolition will raise the combined corporate tax ratio from 47.8 to 52.2 per cent and that this, with the net assets tax, could impact company profits next year by as much as 10 to 15 per cent in some cases.

STOCKHOLM lost 3.5 per cent as investors remained worried about the effect of high short-term interest rates. The Affarsvärlden index closed 17.4 lower at 851.2, a 2.4 per cent fall on the week. Turnover was weak at SKr350m against Thursday's SKr46m. Some analysts noted a slight rebound in prices after the US dollar gained strength following positive economic data.

The bank and finance sector worsened with Handelsbanken's A-restricted shares losing SKr2.50 to SKr2.50, while in the besieged forestry sector Stora's B shares lost SKr12 to SKr16.

on yesterday's news that its September sales year-on-year had fallen by 1.8 per cent against a 4.6 per cent rise from Renault. It had risen to a new 1992 low of FF7495.10 at 1,192.90 or 5.5 per cent.

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# Nikkei declines 5.8 per cent on the week

## Tokyo

A SIXTH consecutive fall left the Nikkei average 5.8 per cent lower on the week, writes Emiko Terazono in Tokyo.

The Nikkei fell 45.84 to the day's low of 17,324.07, after index-linked buying by investment trusts had lifted it to an afternoon high of 17,573.92.

Volume fell to 240m shares from 325m. Advances narrowly led declines by 517 to 437 with 145 unchanged and the Topix index of all first section stocks lost 1.29 to 1,303.14. In London, the FTSE 100 index rose 0.8 to 1,040.60.

The market opened firmer on arbitrage buying and bargain hunting by public fund operators, but fell as the Nikkei futures contract trading on the Singapore International Monetary Exchange lost ground. Big investors remained inactive, blunting US economic uncertainty, adding that positions could not be taken ahead of yesterday's US unemployment figures.

Aids-related issues were higher on speculative buying.

Green Cross, the pharmaceutical company, rose Yen 60 to Y1,550. Housing issues liked a 1.2 per cent rise in housing starts for August. Shokusan Jutaku rose Yen 4 to Y680 in active trading, while Misawa Homes advanced Yen 80 to Y1,070.

High-technology issues were hit by the higher yen. Hitachi lost Yen 2 to Yen 272 and Matsushita Electric Industrial declined Yen 10 to Yen 1,090. However, NEC gained Yen 10 to Yen 980 on bargain hunting, rising for the first time in eight days.

Mitsubishi Heavy Industries advanced Yen 3 to Yen 582 on buying by public funds. Nippon Steel also gained Yen 2 to Yen 291.

In Osaka, the SEI average rose 16.33 to 18,931.69 in volume of 10.4m shares. Nintendo, the video game maker, declined Yen 4 to Yen 750. Investors wary of its high export ratio and the effects of the higher yen.

## Roundup

PACIFIC Region markets were broadly stronger yesterday.

HONG KONG rose on hopes of a cut in domestic interest rates, the Hang Seng index closing 6.6 higher at 5,555.44, still 1.8 per cent lower on the week, as turnover improved from HK\$1.5bn to HK\$2bn.

Hong Kong closed 80 cents or 6 per cent lower at HK\$1.13 as its associate, Jardine Matheson, eased 50 cents to HK\$50.5, an overseas selling after Hong Kong's dawn raid on Britain's Trafalgar House.

AUSTRALIA put interest rate hopes together with news of abandoned share issues as the All Ordinaries closed 10.9 higher at 1,683.00, a 0.9 per cent gain on the week. Turnover reached A\$200m.

Advanced Yen 3 to Yen 582 as investors appeared to disregard Thursday's boardroom resignations.

TAIWAN extended its early gains to close sharply higher. The release on bail on Thursday of Oung Tsung-ting, head of the Hualan group, also helped lift sentiment. The weighted index gained 133.63 or 3.7 per cent on the week. Turnover increased to 1,151.20.

SEOUL gained momentum in a technical rebound and the composite index climbed 4.38 to 1,512.12, a gain of 2.3 per cent on the week. Turnover was 1,000.00.

BRITISH FUNDS

BANGKOK climbed to a new 17-month high at 5,555.44, still 1.8 per cent lower on the week, as turnover improved from HK\$1.5bn to







# Weekend FT

SECTION II

Weekend October 3 / October 4 1992

## A revolution on the Russian airwaves

**Ian Hargreaves** visited Moscow's television stations where he found broadcasters who had craved freedom, learning that viewers want US game shows and Mexican soaps

**H**ERE ARE the ratings for Moscow TV: number one, *Field of Dreams*, a game show; number two, *The Rick-As-It-Is*, a Mexican soap opera; number three, another Mexican soap. Disney cartoons are at four, with news at five, six and seven. Russia, it seems, is already a paid-up member of the western culture's armchair society.

"The country is fed up with politicians," says Yegor Yakovlev, the 62-year-old journalist and biographer of Lenin who for the past year has been boss of Ostankino, formerly Gostelradio, monopoly broadcaster to the Soviet Union. "From 1955 to August 1991, say, move away from politics would have been against the interest of the audience. That period is over. Politics today takes place in everyday life. The more people realise that, the more normal the country will become."

This is a message you hear constantly in the journalistic salons of Moscow. Those who spent years yearning for the freedom to write without censorship are recognising that the public demands to be entertained as well as hectored. As newspaper cover prices soar in response to inflation, circulations are tumbling and competition intensifying.

It is in television, though, where the struggle is fiercest because in TV the limits of the broadcasting spectrum combine with the medium's power to demand that government shapes its future.

Russia thus finds itself addressing, at fast-forward speed, the three big questions over which the west has disagreed at leisure. In the 60 years since the industry was born: What role will the state play in owning TV stations? To what extent will it regulate broadcasters if it does not own? And how will TV be financed: through taxation, advertising, a BBC-style licence fee, or a mixture of all three?

In Moscow, there is also a unique fourth question: to what extent can Ostankino, state broadcaster to the Russian empire, continue to function beyond the borders of Russia?

Yakovlev needs no reminding of the heat these questions generate. In July, Ostankino's once impregnable premises were stormed by communists and nationalists protesting about their lack of access to the air-waves. "Our people were dispersed with sticks," says Gennadiy

Selznev, editor in chief of *Pravda*, the former party newspaper where circulation has collapsed from its peak of more than 11m to 1.4m and continues to fall. "All our TV is one-sided: it's fantastically pro-Yeltsin and pro-government. There is no culture of opposition in Russia."

The atmosphere is distinctively post-revolutionary. Those in charge are mostly those who grabbed effectively in or around August last year when the anti-Gorbachev coup collapsed. "We made a big mistake in not demanding more in terms of buildings and equipment," says Sergei Skvortsov, deputy general director of Russian Television, the scurvy housed Moscow station set up by Yeltsin in 1981 as a rival to Gorbachev's Gostelradio.

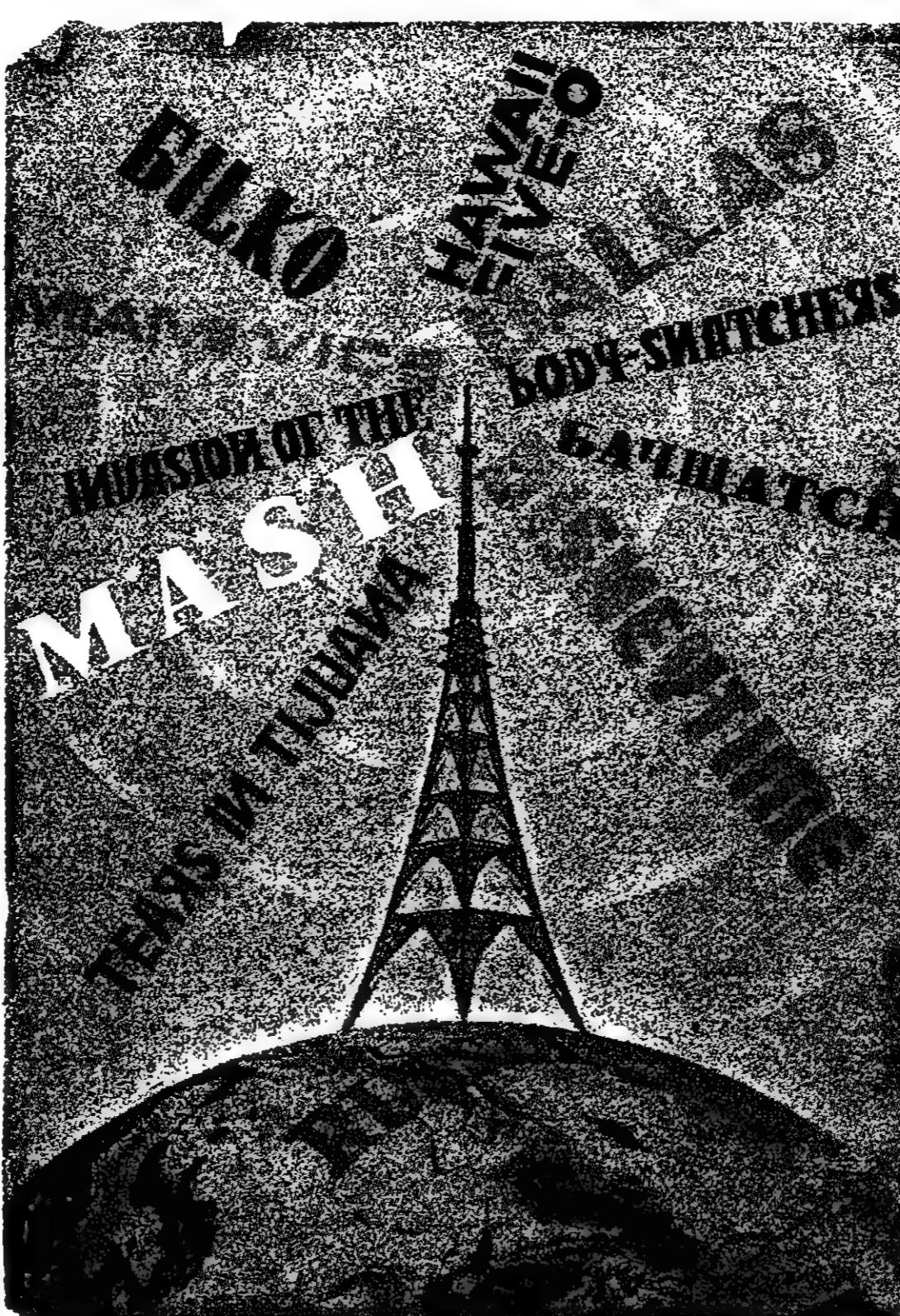
The breathless months following the coup's defeat have also left large gaps in the legal framework. There is, for example, no copyright law although Professor Mikhail Fedotov, burly director of Yeltsin's intellectual property agency, says he has a draft in his computer and that Russia will be ready to sign the Berne convention on copyright next year. Fedotov also has a pair of handcuffs hanging from his desk lamp as a warning to the pirates. "Russia is no Africa," he bellows.

Western investment advisers say that, without a copyright law, Russia will remain bandit country, shunned by serious western media money and a haven for the country's hundreds of cable TV operators, some no more than a VCR connected through a single apartment block and illicitly showing American movies.

Russia does have a mass media law, judged widely in Moscow to be progressive, although it contains clauses on newspaper registration, privacy and the definition of journalism which some think may yet prove dangerous, particularly since factions inside parliament continue to talk of a committee to "supervise" the media.

Parliament has not, however, got round to serious work on a broadcasting law to specify either the governance of the state TV companies or a regulatory framework for independent operators, such as the channel six service proposed as a 50-50 joint venture by Ted Turner (owner of CNN) and local interests.

Through the chaos, however, patterns are emerging. The clear leader is Yakovlev's Ostankino, although



many think he has gambled his future foolishly on trying to retain Ostankino's position as a broadcaster across the whole of the former Soviet Union where its relatively polished fare is more popular than the drab, politician-speak nationalism of organisations such as TV Ukraine.

"I am trying to save the com-

pany," says Yakovlev. "I dream of preserving a single information space for the CIS. That is not just my official duty, it's my civil duty, my principal task."

This must rank as one of the more ambitious undertakings in broadcasting history: to maintain a Moscow-based, Russian language TV service across the schismatic

vastness of the Commonwealth of Independent States. So far, Yakovlev has obtained provisional agreement to create an interstate joint stock company, but the matter is still to be debated at a CIS summit next month.

What he has not received is money, other than from the Russian government and that part of adver-

tising revenue (10 per cent, he has estimated) which filters through a corruption-prone system which permits producers of individual programmes to sell commercial time around their own slots.

Apart from news and soaps, a typical midweek evening on Ostankino's channel one takes in sport, discussion programmes and films. One popular show, of which Yakovlev is proud, is called *Temps* ("Themes") and features a US-style talk show host coaxing a lively studio audience to interrogate suitable victims.

During my visit, the targets were two entrepreneurs, members of what Russians call "the new class." These men declared themselves in favour of "the American style" and fielded questions of innocent savagery, such as: "If you make profits, you take money from others. How can you justify this morally?" and, "You sell a Ford car for 2m roubles. I cannot earn this sum in a lifetime. How can this be right?"

Not all of prime time is this much fun. On a wet Wednesday evening this month, alongside Ostankino, Russian TV's channel two was offering *Opposition* in which the leader of the farmers' union put his view at Gorbachevian length, followed by *The Count of Monte Cristo*. A late-night hit for channel two is the constitutional court's inquisition of the communists.

Moscow TV, funded by the city council, was meanwhile showing dull local current affairs and St Petersburg TV offered a similar brew.

This channel is most famous for *60 Seconds*, a programme which gives vent to communist, national-

ist, monarchist, even anti-Semitic

views and refers habitually to Yeltsin's "government of occupation."

The authorities tried to kill it off

but it was restored after public protest.

A fifth channel is an educational service of a gravitas which would delight the ghost of John Reith.

There is vigorous debate about just how politically free the broadcasters are. Alexei Salmin, a leading social scientist at the Gorbachev Foundation, says television offers "a plurality of organised opinions. This reflects the pluralism of political power. TV is independent from everybody, including the government and the parliament, but this is mostly due to the ad hoc nature of the situation."

Ostankino is regarded as dull and respectable in its news service, whereas Russian TV gives a large amount of power to the news anchors, who determine running orders and write scripts. In the old days, Gostelradio's evening news was rehearsed in the afternoon to make sure the party bosses were happy with it.

"There is too much opinion of the anchormen when they should just be explaining things," says Vladislav Starkov, editor-in-chief of the

booming weekly *Argumenty & Fakty* where "real life" journalism attracts 6,000 readers' letters a day.

Inside the TV companies, everyone insists that censorship is gone. Yakovlev points to three silent phones on his desk which connected his predecessor to the party. But inside Yeltsin's entourage, I was told that when the president does a TV spot, the interviewer is selected by the president's men. At Russian TV, parliament still has the right to insist that its proceedings interrupt other programmes.

All the broadcasters say life is getting harder. Russia's budgetary problems have constrained finances and the collapse of the rouble has made foreign material expensive.

In this ferment, a handful of foreigners pick their way. Turner is the most ambitious, with his proposed mix of CNN news, children's programmes, geographical documentaries and films.

Channel six will help change the selling mentality of Russian television," says Bruce Macdonald, Moscow boss of the US-based BBDO advertising and marketing agency. "We are on the edge of a massive development in advertising here. This used to be a country where, to do a deal, you needed to know three people and hold two alcoholic dinners. Now, it's 15 countries and 30,000 enterprises. Western advertisers have the chance to block up the next generation's mentality on a TV system which is, by western standards, uncluttered and clean."

In recent months, the price of a prime time minute has fallen from \$60,000 to \$6,000, which represents perhaps five cents per 1,000 viewers compared with more than \$5 in the US. Among companies which have joined the fray are Pepsi, Wrigley, Rank Xerox and Avon.

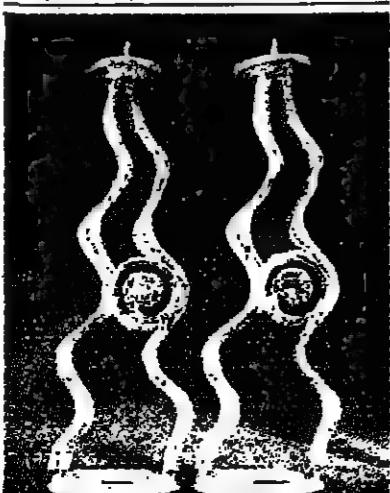
Macdonald is more aware than most of the system's frustrations: the failure to understand audience targeting, the fact that TV companies do not log their advertising output, or publish advance schedules, or research the ratings properly. "There are one hell of a lot of exclusive agents," he warns. "Their deals are exclusive till tomorrow lunchtime, and the money can easily end up in a Swiss bank account rather than at Ostankino."

Thus, as Russian TV points its cameras at society, what viewers see is an exotic pluralism let loose around a staid, statist formalism — just as Moscow's vast roads and grand institutional buildings have become a backdrop for a teeming kerbside market in which everyone has something to sell.

"Commercial TV development so far has not been good," says Yakovlev. "A lot of it is in bad taste and of low quality, reflecting the desire of those running it to make as much money as possible as quickly as possible. Perhaps such TV equates with our society now."

### CONTENTS

Finance & Family	The turmoil in the bond market	III
Perspectives	Cultivating prisoners' green fingers	VII
Travel	Nicholas Woodward in the Maya ruins	X
Wine	Farewell to a strict mistress	XIII
Books	Anthony Curtis on a stylish eccentric	XVII
Interview	The Kentucky philosopher	XX



The flair of the fair: wild candlesticks and other early Christmas presents in Chelsea — Page XV

Arts	XVII
Books	XVII
Bridge & Chess	XX
Fashion	XX
Finance & Family	XXI
Food & Wine	XXI
Gardening	XXI
How To Spend It	XXI
Domestic Lemon	XXI
Markets	XXI
Motoring	XXI
Private View	XXI
Sport	XXI
Michael Thompson-Hood	XXI
Travel	XXI
TV & Radio	XXI

### The Long View / Barry Riley

## Share prices enjoy floating



IT HAS been an up-and-down year for the UK equity market but the FT-SE 100 Index passed the three-quarters mark this week showing a net capital gain of about 2 per cent since the beginning of January, and a total return including gross dividends of some 6 per cent.

That compares well with a nine-month return of about zero on overseas equities but not so impressively with perhaps 8 per cent on long-dated gilt-edged and nearly 8 per cent on risk-free wholesale money market deposits.

In spite of the dreary overall performance of the stock market this year, and indeed over the past five years, there is still a formidable marketing structure in Britain geared to promoting equity-based products such as with-profits life insurance contracts, unit trusts and personal equity plans. And company pension schemes continue to bet as heavily as ever on an equity market revival.

In these circumstances, given the right kind of signal, the market will surge. Two such green lights have flashed this year, when the Conservatives unexpectedly won the election in April and when sterling tumbled out of the ERM last month. Curiously, both of these rallies have totalled 14.8 per cent in terms of the Focuse. In between, however, the grim underlying reality of economic recession and corporate distress has dragged share prices back.

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With our exit from the ERM the reverse logic applies. Share prices have justifiably jumped, because the overseas operations and exports of London-quoted companies are worth more in terms of sterling. On the other hand, rising bond yields pose a threat.

For the time being the yield ratio can take the strain (it has risen to 1.96). But

continue to rise by 5 per cent or so. In fact profit expectations are continuing to be deflated — there was a big downgrade by ICI's official corporate brokers this week, for instance. And although devaluation will boost the sterling value of overseas profits it is the dollar, which is the key currency here; even last night sterling was down by no more than 8 per cent against the dollar since December 31.

Meanwhile dividends on the All-Share Index are at present showing a year-on-year fall of 1 per cent and it was worrying to see a main stream company like Sears slashing its payout by more than a third this week. A whole swathe of big British companies decide that their dividends are out of line with their reasonable expectations for earnings.

Conceivably, dividends overall could drop significantly in 1993. Certainly forecasts by some analysts of dividend growth of 5 per cent, or even more, seem quite unrealistic.

The continuing upward drift in gilt-edged yields, now approaching 8% per cent and heading for 10 per cent according to several leading bond broking houses, is also a threat.

In these circumstances the private sector may begin to be "crowded out": the government may well need to sell £40bn or more of gilts next year, and although foreigners were buying up half the gilt issues while the UK was in the ERM they are unlikely to play more than an occasional speculative role while sterling floats.

There are the makings of big trouble here, and the government has to realise that a public sector deficit that was financeable within the ERM might not be tolerable outside. True, at the same time there will be much more scope to tighten fiscal policy and relax monetary policy, reducing the torrent of gilts and taking some of the pressure off the stock market.

Yet there cannot be much confidence in this government's ability to conceive and implement tricky shifts of strategy.

## DEVALUATION

### You can still benefit from an investment in Swiss Francs

In recent months the Swiss Franc has appreciated by 26% against Sterling, by 22% against the US\$, 10% against the Yen, and 6% against the D-mark - and is still appreciating.

Institutional investors could also be flush with cash. There is a dearth of new equity issues, and the government has financed much of its borrowing requirement out of the reserves and through foreign currency borrowing. There is a window opening which might allow share prices to go higher.

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## MARKETS

## London Markets

# A fine line between hope and fear

By Peter Martin, Financial Editor

THESE DAYS, you have to fight your way to a fax machine at the FT. Other newspapers get their stories by lying amid the bougainvillea above Fergie's holiday hideaway, or bugging António de Sancha's boudoir. Here we wait for people to fax us their recriminations. So the machines are constantly surrounded by a crowd of elbowing journalists, each trying to grab the next scoop as it drops, curled and semi-legible, on the floor.

Last in the queue, the London Markets column could only lay its hands on other people's rejects: a motley collection of wheezes for getting Britain back into the ERM, resignation letters from ministers, hastily crossed-out drafts of Tory conference speeches – all with zero intellectual content. Only one missive, apparently from Germany, appeared worth reprinting:

BBC 49-50-58/  
fuller possible support. So there.

And another thing. It's all very well Mr Lamont and his colleagues talking as if the UK can now have a made-in-Britain economic policy. But only countries that dominate their economic zone, trade very little, or have a record of long-term monetary stability can truly achieve policy independence. The UK fulfills none of these conditions. Which means that like it or not, the UK will have to pay attention to economic conditions abroad, as manifested through the exchange rate.

The working papers that the British treasury is even now preparing, with titles such as "Monetary Policy in a Floating World", are thus, I regret to say, worthless. What will happen, I confidently predict, is that the government will watch the pound sliding, initially with nonchalance, then with concern and finally with panic. It will find itself forced to take steps to stop the pound falling further, if only by giving up the interest rate cuts it had previously hoped for.

The stock market may not

have the same access to disgruntled policymakers as the FT, but it keeps abreast of the Sun. As this line of thinking sank in during the week, the market sagged. The FT-SE 100 index closed at 2549.7, down 51.3 on the week. It is now 11 per cent above its pre-deliverance intra-day low of 2391.3; perhaps more significantly, it is roughly half-way between this year's high of over 2,700 in May and the 2,300 or so at which the index was trading in early September before the currency crisis.

That mid-point reflects a neat balance of hopes and fears: hopes that the devaluation has freed the corporate sector from the slide into depression that continued membership of the ERM seemed to imply; fears that even so, the domestic and international economic climate is so unfavourable that the recovery implicit in the May level of the index is still far off.

One side-effect of the government's failed attempt to prop up the pound could help move the market out of that range, argues Paul Walton, strategist at James Capel. The government's heavy international borrowing, part of its sterling support operations, has raised much of the money it would otherwise have had to get from the gilt market. Institutional investors, who had previously earmarked a big chunk of their next six months' £16bn or so of cash flow for gilts, will find themselves free to put most of it into equities.

With stronger economic growth next year, a slightly higher yield ratio, and a greater likelihood that wavering finance directors will now hold their dividends, that means that the market could

move to a prospective dividend yield of just over 4 per cent from its current level of 5 per cent – which implies a 30 per cent rise in share prices.

Before you rejoice, consider the other case: sterling continues to weaken, the government is forced to keep interest rates relatively high, consumer confidence is unsettled by the currency crisis, companies keep on sacking workers, profits stay weak, the world economic outlook darkens. Even if investors give only a minority weighting to this possibility, it will help keep their header expectations under control.

A similar trend in expectations was evident in the market's reaction to Hongkong Land's purchase of 15 per cent of Trafalgar House in a dawn raid on Thursday. At first, the shares jumped 25p to close at 85p. By Friday, though, investors had had a chance to digest the fact that Hongkong Land's announced intention to go to just under 30 per cent and stick there would prevent it under Takeover Panel rules, from launching a full bid for a year. The shares fell back, closing on Friday at 85.4p – 31 per cent higher than they were a week ago, but still well below the 160p of May.

As the chart shows, the performance of Trafalgar shares stands in marked contrast with that of P&O shares. Hongkong Land clearly feels there is scope for recouping some of the 22bn value the stock market attributed to the company as recently as 1988; it may find itself needing Oriental supplies of patience to achieve them.

**I**N THE field of personal finance, "never surrender" is not a bad motto, although it might often be impractical. It is most relevant, though, if you are holding on to a long-term with-profit life policy. The companies offering them set them up on the assumption that they will last a long time.

If you surrender early, you have broken the original contract and put their calculations awry. Life companies use this as a justification for offering you worse value than you would receive if you waited until maturity. So, the rule until now has always been – don't surrender.

Sadly, as the *Weekend FT* has reported extensively, many savers have been forced to surrender their policies over the past few years. In 1991 – according to a now-notorious survey by the Securities and Investments Board – produced at the end of last year – 37 per cent of unit-linked life policies and 23 per cent of with-profits policies were terminated within a year of being started.

This was amplified last week by another survey, for *Money Management*. This showed that across a range of the 11 companies which were prepared to admit their figures, 16 per cent of 25-year with-profits policies started in 1990 had been surrendered already.

These figures do, however, tell as much about the state of the housing market and the economy as they do about the unsuitability of life policies. Rising unemployment, falling house prices and rising home repossessions have forced many young families to surrender their policies in an attempt to get some cash. A survey by the Watford Group of large life insurers, found divorce was another big factor.

In a last resort like this, it might be necessary to release the cash from an endowment. But that does not mean that you should surrender a policy rather than

## Serious Money

# The best policy? Never surrender

By John Authers

Surrender values are bad. Earlier this year, *Money Marketing* examined surrender values on offer for 25-year policies after 24 years. While some offices were offering as much as 90 per cent of the final maturity value, several offered much worse rates. Commercial Union, the present top payer when policies reach maturity, paid out only 61 per cent after 24 years.

The value you receive in these circumstances is worked out as a totally separate calculation from the accrual of bonuses. Thus, surrender is not a way to "lock in" to present high bonuses as some people seem, unfortunately, to have assumed. But penal surrender values do make it possible.

### The demand for unmatured endowments is undeniable

ble for marketmakers to buy a policy and sell it to someone else to make a profit.

Therefore, even if you are desperate for cash, you should not surrender an endowment until you have been given a quote for it from a marketmaker. How much you can gain this way varies, depending on the life office and the length of the policy.

One marketmaker, Policy Portfolio, cites an Equity & Law policy started in September 1980 with premiums of £18.75; this would have a surrender value of £2,346 now but Policy Portfolio would pay £2,900 for it. A Scottish American 20-year policy taken out in November 1980 with £51 premiums would have a surrender value of £5,913, and a market price of £8,000.

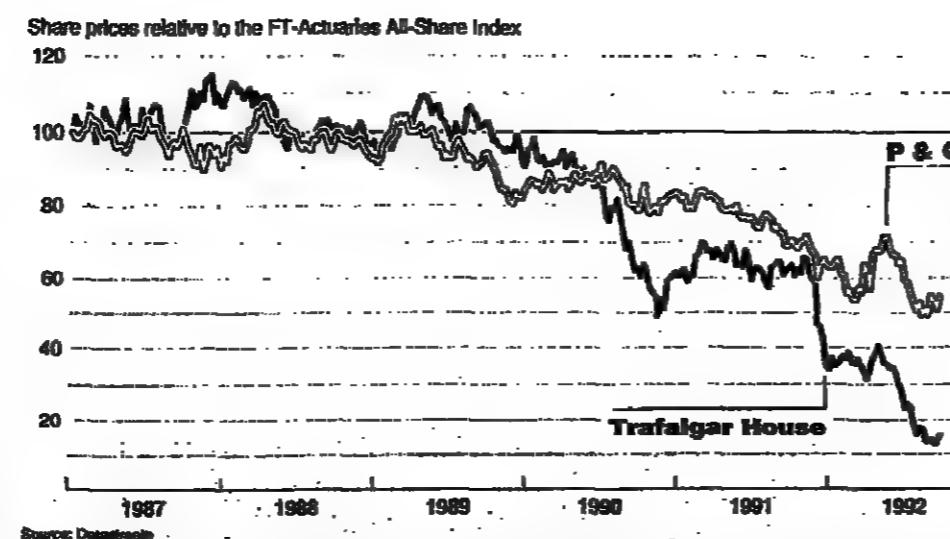
Marketmakers agree that you can gain an average of between 10 and 20 per cent by selling your policy rather than

surrendering it.

The strength of demand for unmatured endowments is undeniable. Earlier this year, Kleinwort Benson even launched an entire investment trust investing only in such policies. Unlike virtually any other launch of shares this year, it was oversubscribed. Plainly, many people in the market still think this is a good investment, even though bonus rates at present are unrealistic, and are likely to come down.

Regular readers of the *Weekend FT* will know that I am not a fan of with-profits endowment policies; there seem to be better investments on offer for those taking out a mortgage. But if you have already started paying the premiums, and can afford to carry on, then do. And never

surrender!



Source: FT Graphics

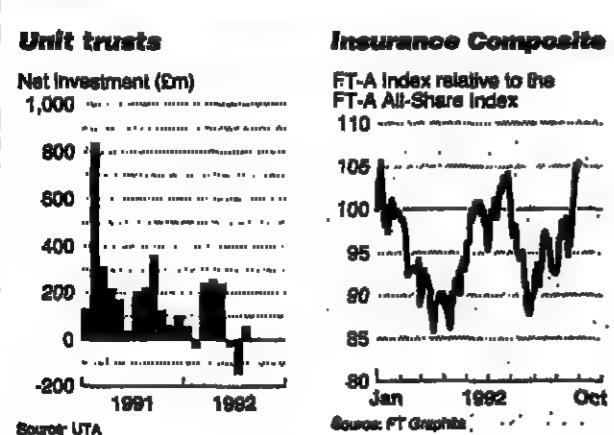
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HIGHLIGHTS OF THE WEEK				
Price y/day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	-51.3	2737.5	2681.0	Uncertain interest rate prospects
Airtours	+17	337	172	Pickford's purchase/Hoers positive
BET	-22	206	91	SNC downgrading
Barclays	-25	410	274	Bad debt/property worries
British Aerospace	+9	378	100	Analysts meeting/recovery hopes
Courtaulds	-57	516	371	Brokers' downgrades
Portex	+12	293	112	Minimised dividend
Grand Metropolitan	-65	516	388	Brokers' downgrades
Hepworth	-71	437	220	James Capel downgrade
Hogg Group	+11	188	104	Minimised interim dividends
ICI	-102	1410	1018	Hoers Govets/brokers downgrade
Kenwood Appliances	-71	290	208	Albert E Sharp downgrade
Kingfisher	-35	582	414	Chairman's cautious statement
Redland	-19	585	310½	Gloomy outlook
Trafalgar House	+29	185	38	HK Land acquires stake

## AT A GLANCE



## Unit trust sales improve

Unit trust business recovered slightly in August, before the sterling crisis, with a net inflow of £55m following net outflows in June and July. The Unit Trust Association interpreted the rise as showing that private investors' confidence in the UK stock market had recovered. The net inflow to UK Growth funds from private investors was £73m, while £25m came from institutions. Other UK sectors also recorded strong inflows.

## General insurers recover

General insurance has never been immune to risk, as the performance of the sector so far this year bears witness. However, the half-year results announced by many life insurance companies have done a lot to improve market sentiment. In spite of the problems with Municipal Mutual, they show that most of the companies are moving back in profit as increases in premium fees through into results. Troubles at MMA: Page IV

## Income replacement policy launch

Standard Life is to join forces with US-based insurance company to launch a permanent health insurance policy, planned for November 16. The new policy will pay out 75 per cent of salary, minus state benefits, after claimants have been off work for either 13 or 26 weeks, depending on the deferral period selected at outset. The definition of disability will relate to the claimant's "own" occupation, and any other plans on the market require the claimant to be rendered incapable of pursuing any occupation before they will pay out. Standard Life will also introduce non-smoker rates on its term assurance.

## Gartmore cuts bond fund charges

Gartmore, the investment management group, reduced charges on its International Fixed Interest Fund this week. The initial charge has been cut from 5 per cent of the offer price to 3.5 per cent and the annual management charge reduced from 1 per cent to 0.75 per cent of the value of the fund. The move follows other cuts by Gartmore this year: in May it eliminated the initial charge on its UK Index Fund and in July reduced start-up charges on its Peps, while introducing exit charges.

## Cut-price offer from Fleming

Discount bonanza time continues, this time with an offer from Fleming Investment Trust Management, the investment trust manager. It is waiving its 1 per cent initial charge for private investors into its Overseas Investment Trust; the waiver is for lump sum payments through the Fleming Share Plan. Fleming is also offering to swap UK quoted shares for shares in the Overseas Investment Trust free of charge. Both offers end on November 31.

## Maxwell victims win payout

The Maxwell Pensioners Trust sent its first payments to victims of the Maxwell pension fraud yesterday. Forty pensioners were sent a total of £16,000 in backdated payments. Sir John Cuckney, chairman, said: "For the most part these pensioners are very elderly, most of them are in their eighties." The trust, set up by Peter Lilley, social security secretary, in June has raised almost £25.75m in donations since fund raising began in July.

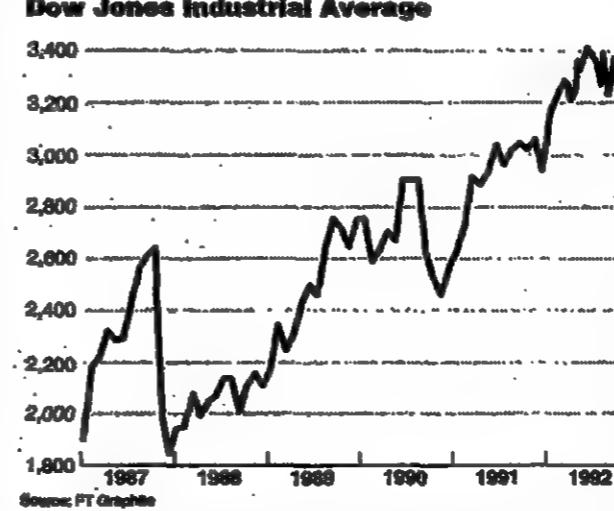
## Smaller companies falter

The brief rally in the share prices of smaller companies faltered this week. The Home Owners' Investment Company Index (capital gains version) fell 0.83 per cent to 1088.50 over the seven days to Thursday, October 1. The County Index fell by 0.54 per cent to 829.15 over the six days to Wednesday, September 30.

# Wall Street

## Searching for a ray of bad news

## Dow Jones Industrial Average



Source: FT Graphics

Yesterday's selling of stocks, however, may have been a bit premature. The Fed's key policy-making body, the Open Market Committee, assembles on Tuesday for its monthly review of economic conditions.

It was this thinking that sparked the selling on stock markets yesterday. Equity investors never like bad economic news, except when it leads to an easing of credit conditions. The jobs news just was not bad enough to warrant a policy ease, or so investors judged.

Analysts who remain confident

that the Fed will ease policy believe the Fed will take all the recent economic data, and not just the headline-grabbing employment report, into account before acting.

In the past week alone there has been bad news on construction spending (down 0.8 per cent in August), consumer confidence (the Conference Board's index of confidence fell for the third straight

month in September), new home sales (down 6.1 per cent in August in spite of very low mortgage rates) and from the National Association of Purchasing Managers, whose index fell below 50 last month, an indication that the industrial sector is again contracting after a long period of modest expansion.

Against such a gloomy background, it is no surprise that stock prices have gone nowhere in recent months. During the just-ended third quarter the Dow fell 1.4 per cent and the Standard & Poor's 500 gained 2.2 per cent. These performances would probably have been worse were it not for the continued flood of cash into stocks. Yields on comparable fixed-income assets remain extremely low, so despite a sluggish market investors are switching into equities in search of higher returns.

The story of the week among individual stocks was Sears. The retailing and financial services giant finally took the step that shareholders and analysts have been recommending for years – the company announced it was

selling the bulk of its financial services interests in a demerger that is expected to raise more than \$5bn in cash, money which will go towards reducing Sears' debt load.

Sears stock climbed sharply on the news, and the restructuring was initially well received by shareholders who had long argued that the poor performance of the retailing side was depressing the market valuation of the company's much more successful financial services businesses.

By the end of the week, however, Sears shares had given up nearly half of their initial gains on concern that the plan to spin-off a large part of the financial services operations would not raise enough money to make the retailing business a significantly stronger competitor.

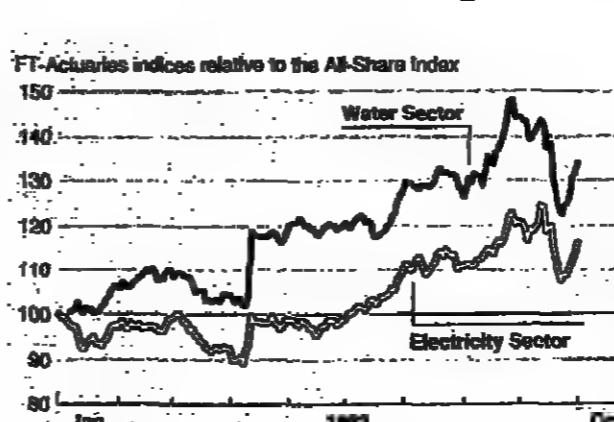
Patrick Harrington

Monday 3276.36 + 28.94  
Tuesday 3266.80 - 0.48  
Wednesday 3271.66 + 04.86  
Thursday 3254.37 - 17.39  
Friday

## The Bottom Line

# The excitement of being safe and boring

## FT-Actuaries indices relative to the All-Share Index



Source: FT Graphics

points, and a wider review of industry pricing is due in 1994.

# Bonds turmoil batters the fixed-rate savings market

John Authers assesses the impact for private investors

**B**ONDS TURNED upside-down last month. Events in this complicated market often seem obscure compared with the impact of currencies and equities. But Britain's exit from the European exchange rate mechanism will have profound and long-lasting effects on the fixed rates which investors can receive.

Two products - annuities and guaranteed income bonds - are almost wholly reliant on the gilts market. After the last two weeks, the rates you can get from both these products could be radically different. In future, it might be better to look for security from a new range of products which rely on complex derivatives, like futures and options.

So what has happened to gilts? As the graph shows, there is a steady long-term relationship between the yields on long-dated and short-dated gilts, and the bank base rate. Short-dated gilts (with five years or less) until they mature have been priced so that they offer a higher yield

than long-dated gilts (with 15 years or more before the government buys them back).

Yields on both have fallen generally in line with base rates. But once sterling was devalued, "long" yields overtook those of shorts, for the first time in years.

This was because of inflation expectations. Marketeers thought inflation would increase and erode the value of long-dated bonds by the time they matured. So they cut the price accordingly. That meant the yield, or income, available from them increased as a proportion of their price.

Two weeks ago, the prices of short-dated gilts rose, because base rates had been reduced. Cash deposit alternatives were less attractive, so dealers were prepared to pay more for short-dated gilts. Inflation is less important when pricing these gilts because there is so little time before they mature.

Days earlier, the market had anticipated low inflation and high base rates. Suddenly, dealers acted on the assumption of the opposite - and the

impact was soon to be felt on products available to savers.

## ■ Annuities

Annuities guaranteed to pay you a fixed annual sum until you die. You normally buy them with the proceeds of a pension fund, but they can also make sense for people a few years into their retirement who have more savings which they want to convert into income - the tax position will be better than if they are bought as part of a pension. As a rule it is best to wait before taking an annuity because rates improve as you get older.

The graph below, prepared by Sage Financial Consultants, shows annuities come down in response to gilt yields, but not necessarily in response to base rates. So pensioners might actually do well out of the turmoil in gilts.

Brokers report that annuity rates have not increased in the last two weeks, but neither have they declined. If long-dated yields stay at their current levels, as many analysts

are predicting, then annuity rates should increase.

People disagree about this. William Burrows, of Sage, says: "Annuity rates are going down. There's a lot of uncertainty, but the pressure is without doubt downwards."

Clive Scott-Hopkins, of Towry Law, thinks it best for investors to lock into annuities now. With base rates falling and annuities steady, he can see a window of opportunity.

But a Nortex Pensions adviser says: "Anyone who expects inflation is likely to increase over the coming year need not rush to buy an annuity - unless they want an RPI linked annuity."

The income from index-linked annuities increases with inflation. Their initial income is lower and they invest mostly in index-linked gilts. Prices for these have risen because of worries about inflation, so index-linked annuities could soon be dearer. It pays to shop around. Sage says the difference between the best and worst rates on offer can be as much as 16 per cent.

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## ■ Guaranteed Capital Bonds

Where are guaranteed returns to be found now? The answer could be from a new product which has been made possible by advances in the derivatives market.

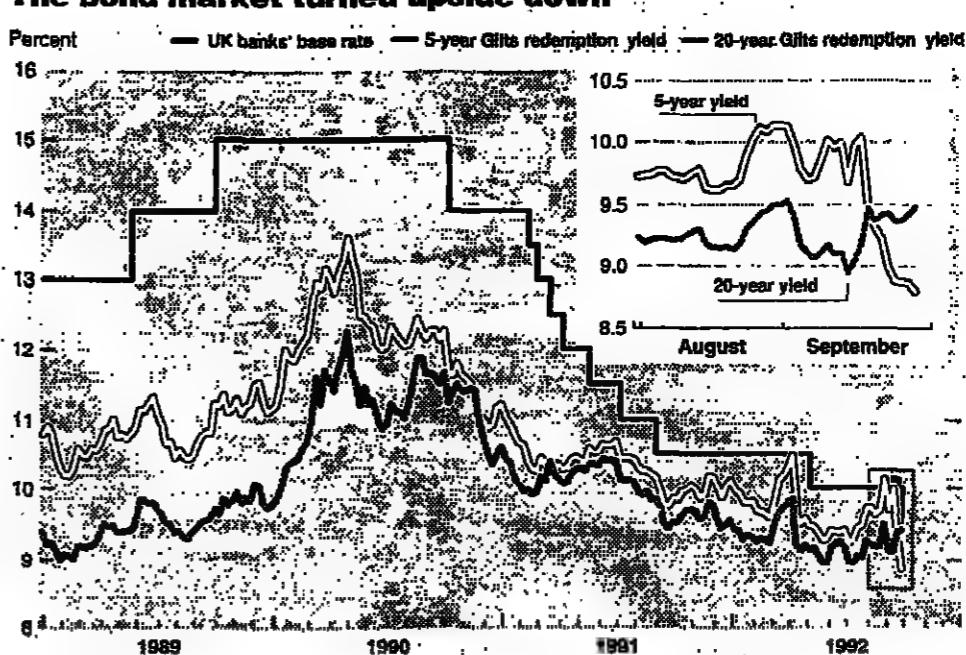
Derivatives - futures and options - have a reputation for being risky, and if you deal in them on your own, they probably are. But they exist as a risk limitation instrument for large investors and dealers.

For example, index futures allow you to protect against the risk of the FT index failing to reach a particular level.

Advances in the sophistication of the market, coupled with horror on the part of investors as they watched the market turmoil last month, have led to a flood of new products for private investors.

The basic concept is to allow you to freeze an advance in a market index over a certain period. Once this rise has been awarded, it cannot be taken away. Meanwhile, the funds guarantee that they will not go

## The bond market turned upside down



down in value. This allows you to find out the current value of the investment just by looking up the index.

This sounds like a modernised version of "with-profits" investments, which also aim to offer a guarantee against falls in value, combined with steady growth which once awarded cannot be taken away. But

with-profits bonds have bonuses and surrenders values set at the discretion of actuaries, and can fall in value. The charm of guaranteed capi-

tal bonds is that you can find

out the current value of the investment just by looking up the index.

Current offers come from Laurentian Life, Foreign &

Colonial Dunbar Bank, Citibank Life and Scottish Provident.

It is important to take

financial advice on these products before investing as their

flexibility varies - some lock

you in for five years while others allow earlier withdrawals

- and some are liable to basic

rate tax.

What of the future? According to Robert Benson, of Midland Montagu, who has helped

design several of the products, the next development will be to introduce guaranteed pen-

sion funds of this kind and to

allow regular premium

savings.

After that, he suggests that

it could be possible to offer

index-linking, links to more

than one index, or currency

protection.

## Gilts look rocky

THE RATES on offer for guaranteed income bonds (gilts) show just how confused people have been, writes John Authers.

On September 16 - Black Wednesday - one company, American Life, even assumed that base rates were going to stay at 13 per cent and raised rates. This led to the strange pattern shown in the accompanying graph for September, compiled by Barroworth Investment Services.

The actuaries who control the rates on offer from Gilts took a while to get over their confusion. The graph shows only the best rates on offer. Some firms offered much less.

At the beginning of this week, it was possible to get 7 per cent, guaranteed over one year, but the worst rate was only 4.5 per cent.

Over five years, the gap is from 8 to 8.8 per cent. On Black Wednesday, one-year rates varied from 8.3 to 8.6 per cent.

So, perhaps the most important lesson from the past fortnight is that if you want to buy a Gilt, you should do so only through an independent adviser who can pick the best rate.

The reliance of Gilts on short-dated bond yields is such, however, that an adviser should probably not sell you one at all. Most are based on

low-risk corporate bonds or fixed term building society bonds, with sizeable holdings in short-dated gilts.

They are encouragingly simple products which guarantee you either an annual income, with capital returned at the end of the period, or a guaranteed annual level of growth.

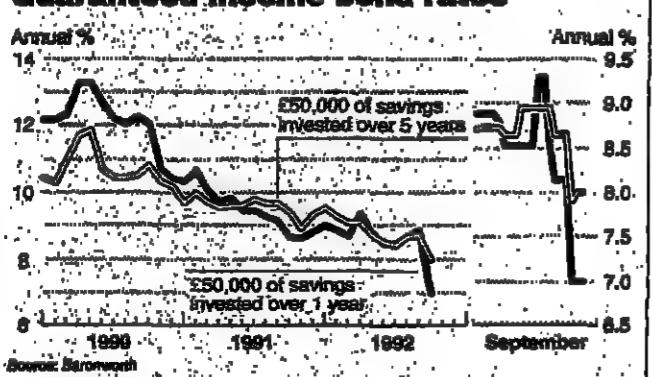
Basic-rate tax is paid by the fund; you will be liable to pay more if you are a top-rate taxpayer.

This level of security is very attractive. But the rates on offer, particularly with many marketers predicting that inflation will return, are not good enough. The best rates over one year are 6 per cent for £1,000 and 7 per cent for £25,000. Over five years, these rise to 7.5 and 8 per cent.

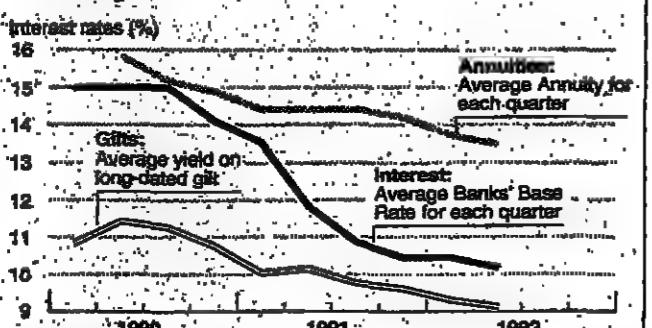
National Savings' index-linked certificates still guarantee to beat inflation by 4.5 per cent over five years. That means they will beat Gilts if inflation over the next five years averages more than 3.5 per cent. And long bond yields show that marketers expect inflation to be worse than this.

James Higgins, of Chamberlain De Broe, says: "Before anyone buys the five-year Gilts, they should make sure that they hold the full allowance of the 5th issue index-linked certificates."

## Guaranteed income bond rates



## Annuity rates



## HOW TO BEAT THE EXPERTS

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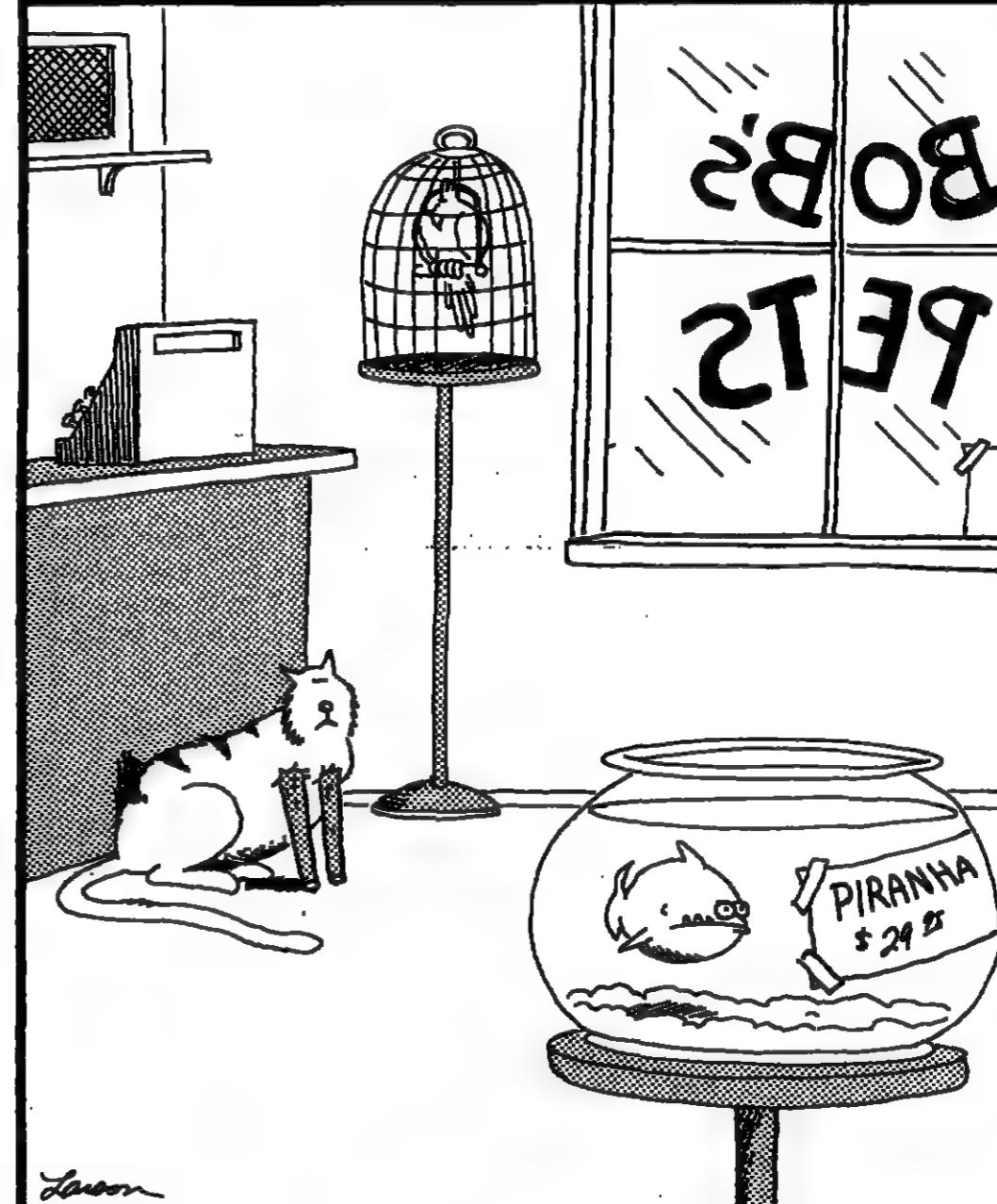
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2 Do you already hold National Savings Certificates? (Please tick) Yes <input type="checkbox"/> No <input type="checkbox"/>		
If you do, please quote your Holder's Number <input type="text"/>		
3 M <input type="text"/> (Mr Mrs Miss Ms) Surname <input type="text"/>		
All forenames <input type="text"/>		
Permanent address <input type="text"/>		
Postcode <input type="text"/> Date of birth <input type="text"/> Day <input type="text"/> Month <input type="text"/> Year <input type="text"/>		
4 I understand the purchase will be subject to the terms of the Prospectus <input type="checkbox"/>		
Signature <input type="text"/>		
Date <input type="text"/>		
Daytime phone number <input type="text"/>		
For National Savings use only (useful if there is a query)		
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## FINANCE AND THE FAMILY

## Councils are hit by troubles at MMI

But individual policyholders have less cause to be concerned, reports Richard Lapper

THE DEMISE of Municipal Mutual (MMI), the UK's ninth-largest insurer, is causing serious problems for Britain's local authorities which are facing increases in premiums and are without cover in some cases. But individuals who have bought home, motor, health and life insurance policies from MMI and its subsidiaries should not get too worried by its well-publicised problems.

On Wednesday, the company stopped writing new business or renewing existing policies, and ceased temporarily to pay claims. MMI, which insures nine out of 10 metropolitan, county and district councils, stumbled into difficulties following rapid expansion into new insurance markets in the 1980s when it undercut many of its competitors.

MMI also suffered from a sharp rise in legal actions for negligence against local authorities like Staffordshire, which was hit hard by claims from victims of the "pindown" disciplinary regime in its children's homes.

Across the country, councils also have been hit by a surge in minor public liability claims, such as those from people who have suffered accidents on badly-maintained roads.

In May, MMI reported that it had been forced to inject millions of pounds into its reserves to pay for future claims, leaving it with insufficient capital to continue trading at

present levels. Net assets at the end of 1991 amounted to £4.9m compared with net premium income of £785m.

Following a change in senior management, the company began efforts to transfer its business to other insurance companies. But this has proved difficult and this week's announcement followed the breakdown of rescue talks with a French company, La Garantie Mutuelle des Fonctionnaires.

MMI's managers are hopeful they can avoid a full-scale liquidation. One possibility being explored by the company, along with its local authority owners, is to set up what accountants call "a scheme of arrangement" with creditors.

If this were to be agreed, Municipal Mutual would remain intact in order to pay all claims on policies sold already, disposing of all its liabilities in an orderly fashion. Individual and commercial policy-holders alike could expect to receive full payment of any claims as the company ran down its asset base of more than £1.5bn.

The group's health and life subsidiaries are in better shape. Prime Health is continuing to write new business and renew existing policies, while Prosperity Life Assurance will continue to issue renewals but will not issue new policies.

In addition, the company still hopes it can transfer its life or so individual home and motor policies to other companies. Already, a number of



Under pressure ... Municipal Mutual's chief executive, Brian Wright

"block" policies – sold on insurers' behalf by building societies – have been transferred.

Since January 1990, Cheltenham and Gloucester building society has sold 215,000 MMI policies (mainly home and contents) to its mortgage borrowers. The society has negotiated in principle to transfer all these policies to General Accident, the Parti-

based composite (general and life) insurer.

Norwich and Peterborough building society, which has sold 22,000 MMI policies, has switched the block to Norwich Union, with which it is already insuring the remaining one-third of its block policies. Most of the policies came up for renewal on September 28. Terms and conditions

remain unchanged.

Even if the worst happens and MMI does eventually go into liquidation, individual policyholders will have most of their claims paid.

The Policymholders' Protection Board – established in 1975 after a number of insolvencies in the late 1960s and 1970s – meets 90 per cent of all non-life and life claims from individual policyholders.

In the case of compulsory policies – such as third party motor insurance – the PPF pays 100 per cent of all valid claims.

Municipal Mutual policyholders who bought their policies from AA Insurance Services, the broker, will also receive full payment for all valid PPF claims, with the AA making up the difference between the 90 per cent paid by the PPF and the full value of the claim.

Around 60,000 motorists have bought MMI policies from the AA. MMI also was part – along with three other insurers – of an AA scheme which sold 300,000 home policies.

The PPF is financed by the insurance industry as a whole, and a liquidation by Municipal Mutual would lead to some of its heaviest payouts yet. In recent years, claims have been paid by the PPF following the insolventcies of Continental and Trinity Insurance in 1992, NEMGIA in 1991, and Cavalier Insurance in the mid-1980s.

## Home loans come down

THE FALL in interest rates has been followed by an avalanche of fixed-rate mortgage offers from the main building societies. Several are at well below 9 per cent and one lender, National Counties, has even put a variable-rate mortgage on the market with a discount that brings it down to 7.99 per cent. Even people who locked into fixed rates of 9.75 per cent a week or two back must now be feeling unhappy.

In the City, the betting seems to be on further falls in mortgage rates. So, instead of seeking a fixed rate, it looks sensible to try to find a capped-rate product which will allay your payments to fall in line with the market.

Birmingham Midshires is offering two two-year mortgages, one capped and one fixed. They are available for endowment, pension, PEP and re-mortgages, although there is a ceiling of 75 per cent of the property for re-mortgages.

The fixed rate is available at 8.90 per cent and the capped rate at 9.30, with an APR of 10.30 per cent in both cases. There is no compulsory insurance but there is a £25

arrangement fee. Early redemption penalties are three months' interest.

Woolwich, the third-largest society, and Alliance & Leicester, the fourth-biggest, both are marketing new fixed-rate mortgages. Woolwich is offering 8.99 per cent (APR 10.1 per cent) fixed for five years for endowment or pension mortgages only. There is a £275 application fee but no compulsory insurance and the early-redemption penalty is three months.

Alliance & Leicester is offering two mortgages, one at 8.5 per cent, the other at 8.75 per cent, both for two years. Which rate you get depends on whether you want mortgage for more or less than 75 per cent of the property's value.

The loans must be larger than £30,000. Both are portable: if you move, you can transfer the mortgage to the new property.

More attractive still is the 8.25 per cent, two-year fixed-rate from Cheltenham & Gloucester, with an application fee of £100. It is available for all types of mortgage; redemption penalty is three months' interest.

It is likely, though, that we will see lower rates before much longer from C&G and the other large societies. Their present fixed rates compare well with those of the past decade, but they do not look particularly enticing if you believe that inflation in Britain is going to remain around 3 per cent or less for the short and medium term future, with base rates also remaining low.

David Barchard

## A SuperSaver offer that isn't quite so super

BEFORE a financial adviser can sell a policy, he is supposed to ensure that it is appropriate to the client's circumstances. If he does not, he could face a claim for damages from his client and an investigation by his regulatory body.

No such rule protects those who apply to direct mail advertising and apply for products by post. One such product which

the loans must be larger than £30,000. Both are portable: if you move, you can transfer the mortgage to the new property.

The front cover of the mailer promises "Cash to make your dreams come true! A big cash payout when you're 65". But the plan is not a pension policy. It is a with-profits life assurance policy, so the premiums do not qualify for tax relief and the growth in the fund is reduced by the tax the company has to pay.

The SuperSaver differs from a standard with-profits plan in several ways. First, it does not offer a choice of policy term – the policy runs to age 65. Second, the premium increases by a fifth each year for the first five years so that it has doubled from the sixth year on.

It has no medical requirement because, in case of non-accidental death, it will pay out only the premiums paid (without interest) or the surrender value, if higher. This makes the policy "non-qualifying". There will be a charge to income tax on higher-rate taxpayers when the policy matures.

get tax relief, the same initial premium of £200 would represent a gross premium of £200.

Allowing for both these factors, the pension fund could be expected to reach £2.2m. Of this, one-quarter (or £560,000) could be paid out as a tax-free lump sum.

The remainder would have to be used to buy a pension for life, but this could be "guaranteed" so that at least five years' pension would be paid out even if the recipient died sooner. On present annuity rates, a level pension with such a guarantee would come to just under £200 a year.

So, the pension plan would as a policy for those between 18 and 55.

The one group for whom this policy could have advantages is those who want the "death by accident" insurance and are in an occupation that makes this difficult to get. A 20-year-old window cleaner who started paying £200 a month into a SuperSaver would have a death by accident benefit of £200,000.

Insurance broker Sutton Winson in Twickenham, west London, said the cheapest policy it could find for someone in such an occupation was £30 a year – ironically, from Norwich Union. Eight pounds a

pay £500,000 on maturity, tax free, plus a further £1m (subject to tax) guaranteed over the following five years, compared with the SuperSaver projected maturity payout of £280,000.

And the pension would go on paying £200,000 a year gross until death.

If the projected payout from SuperSaver is compared with that from the cash lump sum and the first five years of a guaranteed personal pension net of basic rate tax, it is not until the age of 50 that the SuperSaver projects a better return – yet, it is advertised

month would start to make a hole in its tax savings. But anyone without sufficient life cover should get proper term assurance covering death from any cause, not just by accident.

Chris Armstrong, of Norwich Union's direct marketing division, pointed to the traditionally high surrender values that the company pays on its with-profits contracts. He said this gave more flexibility than a personal pension in difficult times when people needed access to their money.

He agreed, however, that no one should enter into a long-term contract intending to surrender it: a warning which is reinforced by the surrender values presented clearly in the literature.

In no case is the surrender value (calculated under LAUTRO rules) projected to exceed the premiums paid within the first five years.

Armstrong saw the contract as a savings plan for those who wanted something more than a building society but did not want the risk of direct equity investment. It was not a replacement for pension planning, he said.

But for those who have inadequate pension arrangements, it seems that SuperSaver is not quite so super after all. "The most appropriate targets for this plan are people who want to save for a cash lump sum and who are already in pension schemes or who do not have the option of joining one," said Armstrong.

Mike Truman casts an analytical eye over Norwich Union's promise to 'make your dreams come true'

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## Directors' Transactions

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No. of directors
<b>SALES</b>				
Abbott Mead Vickers	Medi	61,440	224	3
Beattie (James) A	Stor	10,000	12	1
Canover Investment	InvT	250,000	585	1
Cowie T	Moto	1,000,000	1,000	1
Croda International	Chem	9,000	184	2*
Crusader	Medi	8,000	21	1
Greene, King & Sons	EngA	161,988	711	1
Gresham Telegraphic	Eltr	1,050,000	304	1
Heathcoat Alcock	Prop	1,021,260	335	2
Johnson Matthey	Met	41,200	189	1*
Lloyd Thompson	InvS	110,000	226	2
Macallan Glenlivet	Brew	250,000	378	1
MAI	OffH	7,710	10	1
Mervier-Swain	Elec	280,000	1,233	1
Protean	EngG	156,333	172	2*
Radius	Eltr	50,000	20	1
Scapa Group	OffH	172,089	325	1*
Sphere IT (Pref)	InvT	35,000	23	1
Stirling Group	Text	36,925	14	1
Takare	Hlth	1,000,000	3,216	2
Tomkin	OffH	10,000	27	1

\* denotes director who has sold shares in the last 12 months.

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## PERSPECTIVES AND MINDING YOUR OWN BUSINESS

# The convicts who reap what they have sown

Nicholas Fander visits one of Britain's largest agricultural operations and finds that the prison farm officers face a life of hard labour

**T**HREE years after starting as a farm foreman, Maurice Codd runs the third biggest farming operation in the country.

But his is not a rags to riches story, as the nature of his work reveals: Codd started at 211 per week on a farm attached to Dartmoor Prison in Devon. Now, as Chief Farms and Gardens Manager for HM Prison Service's Grade 6 Civil Service post, which carries a salary of £26,000-24,000 per annum, he manages 5,600 hectares of marginal farming land and a workforce of 3,500 prison inmates from an office in Croydon.

Putting prisoners to work on farms is not unique to the British penal system; when I met Codd he was flying off to meet his counterpart in the US.

The constraints under which Codd and his 20 strong management team and the diverse goals they have to achieve are quite different from those of normal farm managers. They must make the prison system as self-sufficient as possible in foodstuffs (by producing enough to feed 47,000 inmates three times a day) and train inmates for a career upon their eventual release.

Farming was first introduced to the British penal system at Dartmoor because it provided a hard and hard day's work in the open air. It was an integral part of the Bosstal regime when it was first established near Rochester in 1902. Prison farms have grown sharply as the number of prisoners has grown and as prisoners have increasingly been seen as an effective, and cheap, way of converting marginal land that no commercial farmer could be persuaded to touch.

Codd's organisation includes 17 large farms around Britain with 2,400 dairy cows, 1,400 breeding sows, 3,000 ewes and 4,000 laying hens. It produces 12,000 tonnes of potatoes, 6,000 tonnes of cabbage and 3,000 tonnes of carrots a year. The farms also provide most of the milk for the prisons and sell 6.5m litres to the Milk Marketing Board. There are five distribution centres around the country and prisons receive their deliveries three times a week via private contractors.

Until 1988 when a Cabinet directive stipulated that prison farms must become cost effective, they were run, says Codd, on the "dog and sled" principle and lost £200,000 a year. Things have



A life behind bars: an inmate at Standford Hill tends pigs bred on the prison's farm

changed. Today the only time a smile leaves Codd's countenance is when he talks about the Treasury.

Codd's annual turnover is over £35m and he receives an annual grant of £5m from the Treasury towards the running of the farms. But because he is Treasury-funded he cannot plough back any profits, nor is he eligible for any external grants. His management is pushed to make a profit but not allowed to retain what it makes and this, for Codd, removes the biggest source of staff motivation.

The prison farm system has little commercial contact with the outside world. It cannot sell to others as this would naturally upset commercial farmers. Prison farm workers are paid just £23 a week, not in cash but credits. But the saving that this cheap labour generates is not credited back to the farms either. Under the present

set-up, which may change when the prison service becomes an Agency Service in April 1993, it does seem that the Treasury is the beneficiary of a system of funding distinctly at odds with anything approaching the stimulus of the free market.

**C**odd and his managers face two other constraints on their performance. New prison buildings will have to be built on land taken from the surrounding farmland. Codd will therefore have to feed more inmates on less land. In the meantime, because of prison over-crowding, only the more serious offenders are being sent to jail. As his farm workers are prisoners with good behaviour records or nearing the end of their sentences, Codd is also having to cope with a shortage of suitable labour.

A day spent with Ivor Gough, farm manager at HM Standford Hill, an open prison on the Isle of Sheppey on the north Kent coast, showed the many non-financial rewards of farming with inmates.

Gough trained at Agricultural College in his native Shropshire before running a Salvation Army farm for the poor in Jamaica. He combines professionalism with a common touch and a sense of humour.

He needs all these attributes. Grade 3 is considered the poorest quality land for farming purposes but Gough's land was Grade 3 minus. It was an airfield in 1938. Huge buildings that used to be hangars for aircraft assembly lines now act as cold storage for up to 800 tonnes of potatoes and processing and packaging units for root crops.

over to the prison farming service. It is an incongruous sight. Because the prison farming system receives such limited capital it has to make do and mend. Gough's offices, from which produce is despatched daily to London's 27 prisons, are the semi-circular homes built for RAF officers in 1938. Huge buildings that used to be hangars for aircraft assembly lines now act as cold storage for up to 800 tonnes of potatoes and processing and packaging units for root crops.

inmates was more important than new homes for the pigs."

I was fortunate enough to visit on a hot summer's day when most inmates were happy to have the opportunity to be working outside. The men, mostly young, worked in prison uniforms - blue shirts and jeans or overalls - but the absence today of the traditional brutal prison hair cut made it difficult to spot exactly who was a prisoner.

Those I saw on the prison farm had all earned the right to be there. All were in low-risk categories and had served part of their sentence and now, the authorities felt, would respond to the more relaxed atmosphere of an open prison. There are few attempts at escape. The punishment, the immediate removal of the good conduct award,

either family, police or probation officers.

One way in which the prison farm system has been able to make a virtue of its workforce, its size and its need to provide a vocational training has been through its connection with the Rare Breed Association which began six years ago.

To help the national gene bank to maintain as many bloodlines as possible 15 prison farms stock 40 species rare animals are bred on prison farms. Among them are British Lop pigs, belted Galloway cattle and Indian runner ducks. The prison system also boasts 27 Suffolk punch-horses, the farm work horse. It is the largest

*The prisoners work whether they want to or not, and the working day is frequently interrupted by visitors — either family, police or probation officers*

which carried with it the remission of a third of a prisoner's sentence, is sufficient deterrent.

Gough is visited frequently by environmental health officers and must obey all the legislation laid down by the Health and Safety Executive. His produce must be as good as the food the kitchen catering officers, whose budget for feeding a grown man varies from £85 to £200 per day, can buy from outside suppliers.

Dennis Nevills, production and marketing manager for the prison farm system, said his 47,000 customers are obviously dissatisfied and that the food is always the first thing they will complain about.

When I asked what was the biggest difference between a commercial farm and one within the prison system he immediately replied: "the workforce."

He did not mean this uncharitably. Because the farms provide work, therapy and training for the outside world Gough has a constant workforce of 110 when his commercial competitors are seeking to shed labour at every opportunity.

Gough cannot hire or fire. He has to find work for all his prisoners whether they want to work or not and their working days are frequently interrupted by visitors —

herd in the world. I was introduced to Squire, a Suffolk punch which weighs just over a ton. He was being groomed for the weekend when, drawing a repainted gun carriage, he would take children for rides at a village fair.

Of his two grooms, one with long curly hair and a confident air had appeared last year on the front page of the *Financial Times* in a fraud case. His colleague, with tattoos, grey cropped hair and a beard that gave him the air of a genial pirate, had been sentenced for smuggling cannabis in a case *The Sun* newspaper had headlined as "Bangers and Hash".

The prison farm system was teaching these, and many other city-bred prisoners, vocational skills and providing the basics for a new career. Appearing at agricultural shows and fairs, such as the recent Royal Agricultural Show at Stoneleigh, Warwickshire, where they won 26 awards, is also teaching the prisoners social skills and introducing them gradually back into society.

Pride of place in Gough's crowded office was a book of drawings and thank-you letters from a local group of Brownies who had recently spent a day down on his farm.

## Minding Your Own Business/Nick Garnett

# Working to solve an attitude problem



Keys to success: Andy Berry and his computers

**A**NDY BERRY recalls how he went to Jaguar with another disabled colleague. "One bloke took a look at us and he was thinking: 'Do I want them to leave now, or listen and then get rid of them as soon as possible?' But we could have solved one of his business problems concerning the software for an industrial control system."

Berry has cerebral palsy, a disability in which the brain has difficulty controlling the body's muscles. He has a first class mathematics degree from the then Middlesex Polytechnic and an MSc in computer science taken at the University of Manchester. He now works as a one-man-information technology business from the study of his Milton Keynes home.

Running a small company is tough enough. When you have a disability it does not make it easier. "People seem to need persuading I'm serious. Most people sub-consciously feel that I'd somehow be OK if I didn't work. But that is not true. I do not receive any money from the state, not even a mobility allowance. Some of the things people say to me still wind me up."

Berry, who is also a vice chairman of the Spastics Society, is a humorous man. Pressing a button on the keyboard of his computer a list of "goals" appears and one of them is "Have fun!" He laughs.

companies, in some of which he was part owner. He charges £350 a day for his services and hopes to turn over about £40,000 in his first full year. Some of his contracts are about to run out and he concedes that he does not have enough on his plate to ensure financial comfort. "I can just earn enough to survive."

Disability adds to the day-to-day costs of the 41-year-old who lives alone though he will soon share a house with his girl friend, a solicitor who also has cerebral palsy. Berry spends close to £2,000 a year on taxis and a pair of shoes lasts only a month. A small, home-based business racks up large costs. Berry's yearly telephone bill is around £4,000. He spends £4,000 on software. Publicity accounts for a further £2,000. The personal computer with printer and fax were a one-off buy at about £5,000.

Berry meets a lot of people

and tries never to miss a chance to obtain work. Extra-curricular posts include membership of the Central Transport Consultative Committee. "It can take four or five years from meeting someone to getting business. If I'm in a disabled mood I think that takes that time because I am disabled." Which brings us back to how people deal with disability.

"A major problem is not with me but with other people's attitudes. Some do not want anything to do with disability. They have some sort of problem dealing with it. Then you get the person who laughs. This is often the receptionist. It is staggering the number of places I ring up and even if I ask to speak to a named individual they nevertheless ask if I want the personnel department because they think I'm looking for a job. It's this whole problem of not treating disabled people seriously. I still haven't learnt to deal with it."

Berry still has the sense of humour to clear up any misunderstanding on how you should write about disability. "I have cerebral palsy. If you say I suffer from cerebral palsy I'll kill you."

Andy Berry Associates, 26 Perracombe, Furzton, Milton Keynes, MK4 1EP. Tel 0908-501102.

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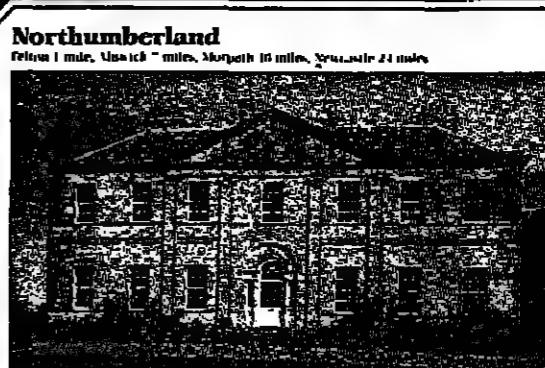
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## TRAVEL

# Mexico's Chichen Itza - 'Fantastico, no?'

In the Yucatan, Nicholas Woodsworth tackles Mayan maths and astronomy and takes a turn around the square in Merida

"Now this," said Señor Gomez pointing. "It is called El Castillo. It means the castle. But it is not a castle. It is a highly accurate multi-purpose calendar."

**W**E TURNED in the direction he indicated, but saw neither a castle nor a calendar. Instead, set in the middle of a vast grassy area where guided tourist groups scurried to and fro, we saw a broad terraced pyramid rising 75ft into the air. Built of grey stone, it was the exact colour of the heavy storm clouds that hung in the sky behind it.

On each of its four sides a steep flight of steps led up to a flat-topped temple at its summit. Like ants on an antheap, the stairs and temple-top were crawling with hundreds of figures dressed in bright red-and-yellow nylon rain-jackets. Rain threatened.

Our own party was a large, mixed group - mostly German, Italian and Japanese - and few of us had an easy command of English. But this did not stop Señor Gomez from delivering his guided commentary in a succession of rapid, jerky bursts that left little time for reflection on what it all might mean. This, after all, was a busy day at Chichen Itza, the most famous of the Yucatan's Maya Indian ruins, and it looked as if the weather might break at any minute.

"Now why do I say El Castillo is a multi-purpose calendar?"

A Japanese lady lifted a video camera to her eye and began filming him. "Well, the Mayas were very interested in measuring time. There are 91 steps on each of the four faces of the pyramid. That makes 364. Add one more for the platform at the top and that makes 365, the exact number of days in one year." He beamed at us as if this explained it all. But there was more.

"Also, the staircases on each of the pyramid's nine levels show the 18 months of the Maya solar year, and the 52 panels on each side show the

52-year periods of the Maya calendar cycle." Señor Gomez was getting into his stride.

"How did the Mayas combine their ritual calendar of 260 days and their solar calendar of 365 days so the same calculations were possible on both? Easy - they found a common divisor. Both numbers are divisible by five. By multiplying five times 52 cycles of 365 days by 73 cycles of 260 days, they obtained 18,980 days, or 52 years, permitting perfect computations within the Maya 52-year calendar cycle."

We stared at him, speechless.

"Fantastico, no?"

Señor Gomez glared around him as if waiting to be challenged on the clarity of his explanation. Nobody challenged him. The Japanese lady stopped filming. "Say again," she said.

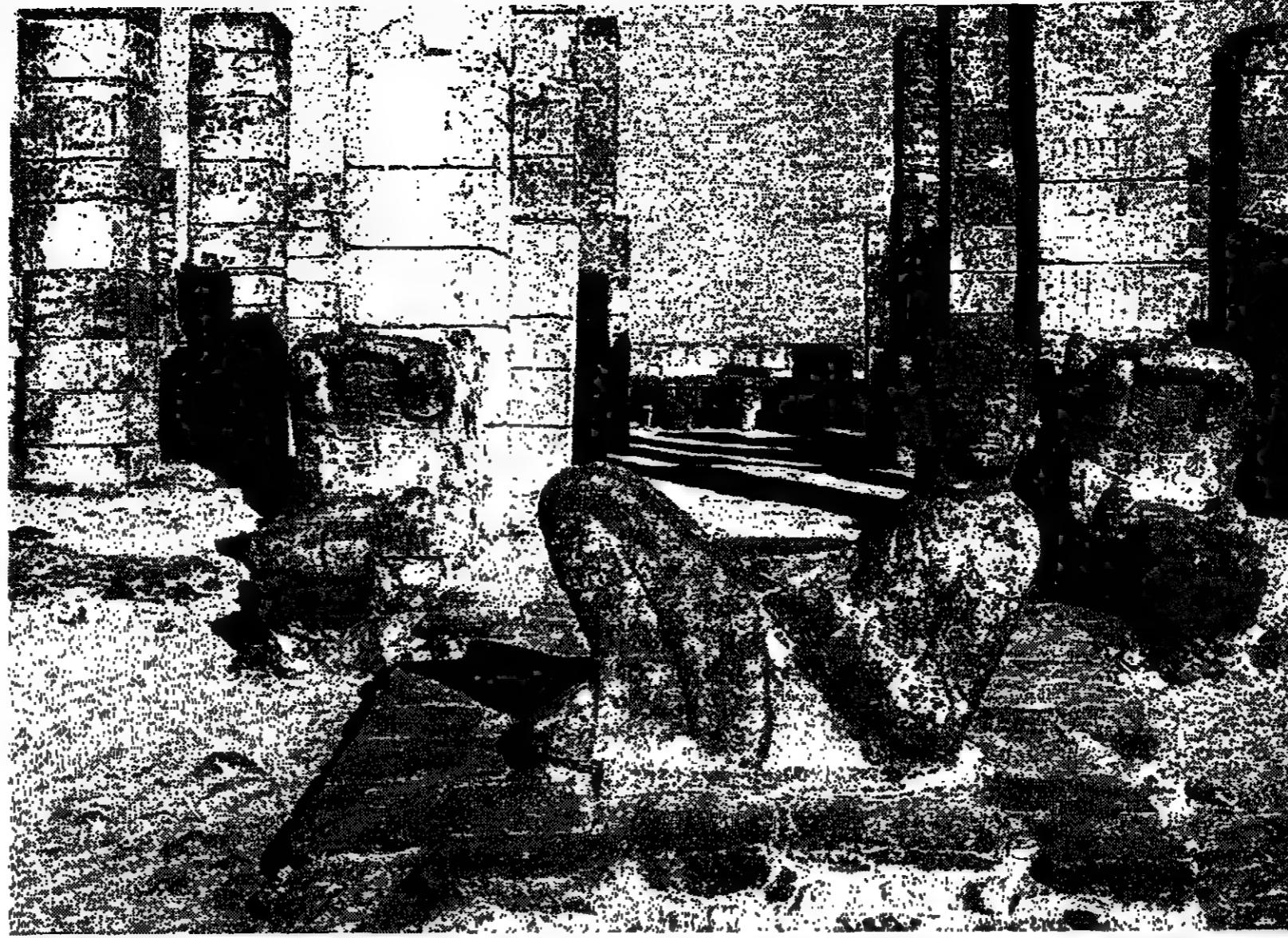
"No time," shouted Señor Gomez over his shoulder as he strode off across the grass, perspiring in the warm and muggy air. "Now follow me to the Ball Court. It is a very interesting game. Under Maya rules, the captain of the team that won was sacrificed to the gods. It was a great honour. Funny, no? Come, I have many, many things to show you."

I had had enough and wandered off to climb El Castillo. A puffing 81 steps later, I was standing on the top and looking out over the endless, dull green, table-top jungle of the Yucatan peninsula.

How odd that in the midst of this great expanse of nothing a people more than 1,000 years ago should have built great cities. How much odder that they developed a high theocratic culture with advanced mathematics and astronomy at its pinnacle.

It was scarcely surprising, I thought, that in a tour lasting barely two hours Señor Gomez had himself hard put to explain the complexities of Mayan civilisation. Its subtle yet exacting combination of science and spirituality had baffled trained minds ever since ruined cities began re-emerging from the Yucatan jungles a century ago.

Together, Mayan culture and



Temple of the Warriors at Chichen Itza, the most famous of the Yucatan's Maya ruins

Señor Gomez had certainly baffled my mind.

But the complexities of pre-history had not stopped Yucatan from becoming one of the most popular regions for visitors to Mexico today. Almost

everyone who comes to the peninsula that divides the Caribbean from the Gulf of Mexico is attracted by the lure of the ancient Mayas. They end up enjoying it not just for the ruins of the Mayas of the past - which tend to be over-

crowded, commercialised and difficult to understand - but for a special atmosphere created by the Mayas of the present.

Rain began to splatter in heavy, warm drops. Straggling crowds streamed through areas of monuments to seek shelter in refreshment stands and tour coaches. On the way home to our hotels, a long, dreary drive through low tropical bushland, the rain continued to fall in heavy sheets. By the time we

reached Merida some two hours later, water had flooded the narrow streets of the town, stalled carts at intersections, and was lapping over the sidewalks.

Unable to stir out, I spent the afternoon watching the rain fall onto the lush vegetation of the inner courtyard garden of the Grande Hotel. A long, cool drink at hand, I lay back in a ratten-woven planter's chair, the kind in which colonials in

every tropical outpost from

Calcutta to Kumasi have taken their ease. Surrounded by pilastered columns, etched-glass windows, tropical hardwood furniture and slowly-whirling fans, I felt like a Merida sisal

spired mansions and the Paseo Montejo - a miniature Champs Elysées.

The boom in sisal is long over but Merida's traditional and independent spirit, like its architecture, food, music and language, remain.

For centuries Yucatecans have lived isolated lives on their southern peninsula. Cut off from the rest of the country by vast swamps and jungles, they have always been a group apart, and proud of it.

And what of those Yucatecans who are descended from the builders of the pyramids? Present-day Mayas - many of them remain pure-blooded - may have lost political independence and the ability to calculate precise dates 500 years in advance, but they remain gentle, intelligent, good-humoured people. To anyone coming from other large Mexican cities where traditional *machismo* is so much part of the culture, Merida's 500,000 inhabitants seem an unusually

relaxed and friendly lot.

By the time darkness fell, the rain had stopped, the streets had dried, and I was able to venture out for that favourite Merida past-time, the evening *paseo*. Crowds of strollers had gathered on the Plaza Mayor, and Christmas, only days away, had brought to the square a special atmosphere.

Trees, lamp-stands and statues were festooned with coloured lights and paper. At wheeled street-side stalls, dark-haired women in embroidered blouses were selling snacks of fried plantain, roasted corn and refreshing glasses of sweet, almond-flavoured *horchata*. From long poles balanced on their shoulders, ambulating hawkers sold children's toys: balloons, horns, masks and flutes. Dressed in their holiday best, enormous families piled into horse-drawn carriages for an idle tour of the town.

There was no lack of entertainment. Outside the door of the Grande Hotel, a sidewalk *marimba* band was floating hot Latin rhythms out into the night. Up the street in the cathedral, a choir was singing Mozart's *Requiem*. And on the square itself, tiny children with dark, bright eyes were re-enacting the Nativity. In 80°F heat, four-year-old Wise Men in silver paper crowns and cotton-wool beards led a *oso*-looking Mexican donkey loaded with gifts to a manger in a mock-up Bethlehem.

But I contented myself with just a turn or two around the square. I had work to do. By my bedside table lay a complex tome by the learned Prof Demetrio Morales, *El Maya World*. Tomorrow I would be visiting Uxmal, another of the Yucatan's great archaeological sites. I was determined this time, with the professor's help, not to be taken by surprise by a certain Señor Gomez.

■ There are no direct flights between the UK and Mexico. *Nicholas Woodsworth* flew to Yucatan with American Airlines (London tel: 081-572-5555), which flies via Miami to the Yucatan resort city of Cancun. Car hire in Mexico is expensive - about \$30 a day - but many local companies organise tours of Mayan archaeological sites.

The best time to visit Yucatan is between September and April, when rainfall is at its lowest. Expect, nonetheless, a warm and humid tropical climate, and take rainwear.

In London, information about travel in Mexico can be obtained from the Mexican Tourist Office at 60 Trafalgar Square, WC2N 5DS. Tel: 071-734-1055.

## Lecce's wild baroque

ATER is in short supply in Lecce, a province situated in the heel of the Italian boot. Rainfall is so light that Horace honoured the region with the epithet *stolidus* - thirsty. To combat the dryness you might sample a glass of Malvasia di Lecce, a sparkling (and apparently elusive) white wine.

Mooching around Apulia, the author Osbert Sitwell related how a bottle of this wine was uncorked with "immense noise, as of a mine being exploded, while a torrent of sparkling liquid splashed like a golden fountain over a passing lorry. It was like the launching of a battleship; the hubbub was indescribable."

I suppose the best place

in which to sample this wine is

Lecce itself, the Apulian town

after which it is named. Lecce

is a city of baroque run wild

under the influence of the

Spanish court between 1660

and 1770.

The city then had as many

monks as laymen: for the

breadth of its ecclesiastical

scholarship, it was known as

the Apulian Athens. Churches

were built with lunette orna-

mentation. Their portals are

adorned with grinning car-

pies and great festoons of

foliage; cornices swirl round

columns, windows are laden

with great swags of flowers

upheld by stone trophies or

heraldic crests.

Lecce is quite an embarras-

ment of baroque, a great monu-

ment to the stonemason's art.

Sitwell himself adored the

place. He compared it (perhaps

after a bottle of Malvasia) to a

giant fruit bowl.

Yet Lecce is still fairly

unknown. It must be the rare

southern Italian city never to

have put Garibaldi up for

the night. An 1883 *Boedeker* to the

Mezzogiorno has only this to

say about Lecce: "Situated in

an unattractive district, not far

from the sea.

Lecce was discovered by for-

igners 20 years later when a

British architect, Martin Briggs, published a book in praise of the churches. Briggs relates in *Unknown City* how the flourish of architecture in Lecce was more or less coincident with the designs of Sir Christopher Wren in London.

The colour of the local stone from which churches were constructed is a warm golden brown, and so malleable that you can cut it with a knife. No building was too intricate or decorative for that could not be fashioned from *pietra di Lecce*.

Marble itself was hostile to such florid carving - too hard on the chisel.

The supreme expression of Lecce baroque is the Chiesa di Santa Croce. It took 150 years

to build and the facade pulu-

lates with detail: fantastic

monsters adorn a rose window

in a marina fauna setting.

Nearby in Piazza Sant'Oronzo, dominated by a bronze

statue of the city's patron saint, stand the remains of a Roman amphitheatre. Sun

below ground, the archaeological site is littered with slabs of stone that show gladiators

gored by bulls, or fending off lions with spears.

In a province of stout Norman churches and restrained Romanesque cathedrals, Lecce will come as a glorious surprise. It is the Florence of the Italian south.

Lunch in the Grand Hotel of Lecce (a magnificent Edwardian establishment whose interminable corridors nevertheless bring to mind a state penitentiary) should, of course, be accompanied by a bottle of Sitwell's Malvasia. The wine will not explode, only effervesce.

*Ian Thomson visits the Florence of southern Italy*

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vesce.

To the right of the cathedral

stands the magnificent semi-

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JULY 1992

ENGLISH soccer's top division has a new brand name and just six weeks into the FA Premier League's first season it is clear that the product has not improved. The league has changed the colour of the referees' shirts and added five minutes to half-time, but, for the most part, can offer only the same teams serving the same rubbish. Away from the ground, television is awash with mediocre football and the back pages of Britain's newspapers are dominated by the squabbles of club chairmen.

The chairman are not arguing about how to play football but about money and power. The greatest irritant is television. Successive rounds of TV contract negotiations have left a legacy of anger, suspicion and resentment.

The Premier League has its roots in the TV negotiations of 1988. The

## New package, same old product

Soccer/Peter Berlin

biggest clubs threatened to break away and take their ratings with them if the league did not sign the deal with ITV that they favoured. The top clubs won, but remained unhappy about subsidising their poorer brethren. Finally, the rich staged their revolution against the poor last year when the first division broke free of the other three.

The medium-sized Premier League clubs believe that the ITV deal worked against them. ITV concentrated on the "Big Five" clubs which had supported them, bestowing on them the generous "facilities

fees" the deal contained and allowing them to cash in on the exposure gained through perimeter advertising - worth up to £80,000 for one live game - and generous contracts from sponsors and kit makers eager to share that exposure.

Ken Bates, chairman of Chelsea, accuses ITV of having a "blacklist" of clubs which voted against its offer. Ron Noades, chairman of Crystal Palace, says he used to start each season £1.5m down on the top clubs. "I can swallow lower gate receipts and merchandising revenue, but the big clubs were using

money to which they had no moral right to fleece us."

In May the Premier League clubs accepted a five-year deal from BSkyB, the satellite broadcaster, with the BBC tagging along. It guaranteed £200m over five years: £40m a year for 60 live games on satellite plus highlights on BBC. ITV bid £30m a year for 30 live matches and had indicated it would go higher.

"It was a revenge vote," says David Dein, vice-chairman of Arsenal. Noades says: "I wanted a partner. I was not so interested in the best offer."

The contract was cunningly constructed by BSkyB. It guarantees every club five games which bring with them £60,000 "facilities fees." But BSkyB's audience is tiny compared with the terrestrial channels. Its sports channel has just over 1m subscribers, its rivals reach 25m homes. The terrestrial channels have hit back with live matches from the old second division and the Italian first.

The big clubs are unhappy. Dein says: "We have got over-exposure of soccer on television. We have gone down a branchline and left the

mainline free for others. Football could suffer from over-exposure."

The smaller audiences have hurt the perimeter advertising, down to around £5,000 for a live match, and threatens sponsorship revenue. Perimeter advertising united the dissidents and sponsorship gave them the chance to exact their revenge. In September, eight clubs which had united in the "Platinum group" to sell perimeter advertising were the only eight to vote against a £2m sponsorship offer by brewers Bass. Under the Premier League constitution, eight votes are enough

to block any proposal. Behind the disputes there is a difference in the vision of the league.

Bates says: "The whole concept of the league was to create an elite away from the candyfloss - a league which would give you strength in depth unparalleled in the rest of the world."

But strength in depth is no good to the top clubs, which want to be able to match Europe's elite: AC Milan and Marseille in the increasingly lucrative and time-consuming European competitions.

But these goals are often lost behind the grudges. Parry asks forlornly: "Why are we talking about stuffing people over several thousand pounds?"

"There are a lot more important things in football than arguing about Bass sponsorship," says Noades. "We ought to be talking about the quality of the football."

On Christmas Eve, 1988, after a hopeless Dallas Cowboys team had crept out of Texas Stadium following the final home defeat of a season in which they won just one out of 16 games, despairing Texans sought solace in a joke about Tom Landry, the legendary Cowboys head coach who had been unceremoniously sacked the year before.

"Landry," they said, "wanted to get as far away from pro football as he could this season - so he came to Texas Stadium."

The club which had been known during coach Landry's great years in the 1970s and early 1980s as "America's Team", had become the butt of most of the bad jokes in professional football.

Less than three years later, the Cowboys face the Philadelphia Eagles on Monday night in a game that matches two genuine Super Bowl contenders, and no one is cracking jokes about the team from Dallas anymore.

If the Cowboys go on to win the Super Bowl this year (and judging by their performances so far, there are plenty of reasons to suspect they can), it will be the shortest rags-to-riches story in the history of the National Football League.

After their feeble single-win season in 1988, the Cowboys improved rapidly. In 1989 they won seven out of 16. Last year they won 11 and reached the play-offs, where they went out in the second round to Detroit.

They have already won their first three games of 1992, including impressive victories over the two most recent Super Bowl champions, the Washington Redskins and New York Giants. If they beat Philadelphia on Monday night, the odds on a Cowboys championship will shorten considerably.

That Dallas has come so far, and so quickly, is a testament to the work of two men: Cowboys' owner Jerry Jones, and head coach Jimmy Johnson.

When the Arkansas-born Jones bought the Cowboys in February 1989, he earned the immediate smutty of Texans everywhere by sacking Landry who had led the Cowboys for their first 28 years and taken them to five Super Bowls, and ousting Tex Schramm, the club president and the only other Texan more revered than Landry.

Although the first season was a disaster, it provided the new owner and coach with the opportunity to dismantle the team and start over again. From the summer of 1990 on, Jones and Johnson set about rebuilding the franchise from scratch in an unprecedented burst of activity that involved big trades, rapid contract signings and astute use of the draft system that brings college players into the pros.

The most dramatic move was the first. In October 1989 the Cowboys' one true star player, the running back Herschel Walker, was traded to the Minnesota Vikings in exchange for five players and seven picks in future college drafts.

American Football/Patrick Harverson

## Cowboys ride high once more



Rising star in Texas: the Dallas Cowboys' young quarterback Troy Aikman

Jones said recently: "I didn't really have a timetable when I got here in 1989, but I had a commitment to use every avenue to upgrade the talent, even if it meant sacrificing a win or two."

At the time Jones and Johnson were vilified for the trade, but it has since proved to be one of the most one-sided deals in the history of American sports. Walker had a disastrous time in Minnesota, and he is now trying to rebuild his shattered career at Philadelphia (which should add some extra spice to Monday night's game).

Jones has said: "If we were concerned about respectability this year, we would have kept Walker... and tried to win two or three extra games. But that wasn't going to get us to the Super Bowl."

Among the players Dallas eventually got as part of that deal were running back Emmitt Smith, defensive tackle Russell Maryland, one of the heavyweights in the defensive line, and Kevin Smith who plays cornerback, defending against the other team's wide receivers. The three players now form part of the foundations for a champion-

ship team. While Maryland has the potential to be a great player. The powerful, fast Emmitt Smith has already achieved that status. Last year he was the best running back in the NFL, with 1,563 yards to his credit. With wide receiver Michael Irvin, who gained more yards catching passes than any other player in the league last year, and the young quarterback Troy Aikman, the Cowboys have one of the most potent air and ground attacks in the football today.

After the Walker trade, the Cowboys picked up the pace. In 1990 they signed a record 16 free agents (players without contracts). The following year all 17 of the team's draft choices were under contract by the time the 1991 season started, and a back-up quarterback, Steve Beuerlein, was acquired from the Los Angeles Raiders.

Dallas have orchestrated an astonishing 42 trades in the last three years, and why they try not to waste time signing a free agent or gambling on a college draft.

"Whatever we need, we make an effort to get, and we don't have to go through a committee to get permission," said Jones.

Last year, the Cowboys made four top draft picks, all of them defenders brought in to shore up what was perceived to be the team's biggest weakness - an inability to defend effectively against opponents who pass much more than they run.

The final piece in what could be the Cowboys' Super Bowl puzzle appeared this summer, when Dallas picked up Charles Haley from San Francisco. Haley is an intimidating defensive player expert at disrupting opposing quarterback's pass plays. More importantly, he is a natural leader, an essential commodity on the youngest team in the NFL (average age: 25). He gripped the club so tightly that the muscles in his forearms stood out. He stopped at nothing to do the ball a mischief.

It was hopelessly one-sided. Davies, the biggest hitter ever in women's golf, once drove a ball 340 yards and regularly drives 260 yards. Few men can compete with her in this department and, frankly, it is pointless to try.

But that is not to say there is nothing to be gained from watching women's professional golf. The opposite is the case. Most men amateurs can learn far more from watching a women professional golfer than from her male equivalent because the game of the average player has much more in common with that of women professionals than with that of Seve Ballesteros. So the taxi for this morning is this: why can't a man be more like a woman?

Woman professional golfers are prey to the same self-doubts that plague men. You do not like fast downhill putting. Neither do they. You find long bunker shots hard? So do they.

Worried about shanking the occasional chip? So are they.

Men are reluctant to admire or learn from anything that is not male. They dress in their

mainline free for others. Football could suffer from over-exposure."

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Golf

## Play like a woman

John Hopkins offers some advice to male golfers

A FEW years ago

Laura Davies was playing in a pro-am in Palm Springs, California. The members of her team were all men and she worked hard to help them judge distances, select clubs and read putting. There was a lot of laughter and lively conversation from the group who were nearly all English.

The main aim of Davies's team was to combine well and win one of the handsome prizes that were on offer. It soon became clear, however, that there was another competition going on. It was the battle of the sexes. The aim in this competition was to outdrive

Laura Davies, with their Ballesteros raincoat in their bags, up their two-piece high compression ball and stand on the first tee of a monthly medal hoping they won't make a complete hash of things. Faldo does not have the same fears and nor does Woosnam. But many women professionals do.

"I know that when I am playing a downhill chip from a bunker I am saying to myself: 'Keep your head still. Don't make a fool of yourself,'" says Kirtina Douglas, a member of Europe's Solheim Cup team which is competing against the Americans at Dalmahoy, Edinburgh, this weekend.

A golfing partner of my father's remarked, tongue in cheek, last week: "I like watching the women play golf because I like to see their figures and look at their legs but what I really like to watch is

the rhythm with which they play golf."

This is the most obvious area in which men can learn from the women. Women have to acquire good rhythm because that is more than half the secret of hitting the ball any distance. This lesson was brought home to me when I played in a pro-am with Douglas. Bad weather restricted us to nine holes but this was long enough for her to demonstrate the repetitive rhythm of her swing and her remarkable accuracy. After about six holes of watching this, a funny thing happened to me. I started swinging more slowly, too. And sure enough, I hit the ball better and further.

Another area where men can improve is in their attention to the short game. Men practice their long game, if they practice at all. Women do not ignore this department but they do not concentrate on it at the expense of their short game. "When men practice they practice hitting their drives as far as they can," says Davies. "They think they miss a lot of full shots. But if they think about it I reckon that nine times out of ten if they miss the green they do not get up and down. They need to work on their short games. All amateurs are let down by their short game."

Helen Wadsworth is in her second season as a professional on the European tour and already she has noticed some characteristics among the men who play with her in pro-ams. The first is their tendency to underclub and to talk about their own game. The second is their inability to accept advice.

Bertie Wooster was once moved to remark: "Women, the way I looked at it, simply couldn't do... what a crew! What a crew! I mean to say, what a crew!" I beg to differ. Women are there to be learned from, however hard it is for the male ego to accept this. If you do not believe me then go to Dalmahoy today or tomorrow and see for yourself. You will be all the better for it. And your golf will improve, too.



Long driver: Laura Davies

As They Say in Europe

## Germany hits back

D ie Welt captured the spirit of the state writing in *El País*.

He argued against a view that is gaining ground in Madrid. "...many Spanish politicians think the Italian model is not so bad. When all is said and done, Italy has only had to devalue, leave the ERM and become an example not to be followed. If that were the sole price to pay, I would be with the 'Italians' - any policy is better than importing the deflation of recent years." But he decided the Italians had got away with it for so long because they had a trade surplus, unlike Spain.

Until the FT published the Bundesbank's disrespectful comments on UK financial strategy, things seemed to be settling down in Europe. The British had friends: close ones, too. *La Presse de la Manche* (or Channel-Pres) serves a region where most people voted No in the referendum and the clean, fresh wind blows in from England.

The Palestinians, hopelessly outgunned, have proved unable (or unwilling) to mount a sustained IRA-style campaign of ruthless, sophisticated violence that might have dislodged Israel from the occupied territories. Our friends at Solomon's pools were hardly of the SAS image conjured up by the official label of "foreign military force." Yet, they were part of the stubborn, niggling refusal to accept Israeli rule that has made Israelis realise they can stay in the West Bank only under hostile conditions.

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Each side keeps up the rhetoric of a war - but each side knows it cannot win. So now, at last, they are talking peace instead.

"a commercial official of the state" writing in *El País*.

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The Germans may have

thought they were taking other people's arguments seriously when they cancelled the official celebrations of the 50th anniversary of the V-2 rocket. The press had been opposed to the project and *Südkurier* welcomed the change of heart: "The public outcry of indignation remains. That should alarm us all."

However, what we saw was not a new nationalism but a brutal loss of memory, and of a sense of history which is seamlessly linked to the fire attacks on refugee asylums and even to justifications for the Third Reich. That is a picture of Germany.

So, for a brief moment, many were ready to accept the virtues of others. Too many, according to Alberto Recarte,

James Morgan

■ James Morgan is diplomatic correspondent of the BBC World Service.



pulled up. Two young men, bearded in the fashion of Hamas, the Palestinian fundamentalist group, looked at me with an air of amusé satisfaction. But as they heard me speak, there was a frown of doubt.

"You are Jewish?" the driver asked.

"No, I'm British."

"Oh," he said. He conferred with his friend. "Would you like us to help?" he offered with what I thought was rather a contrived air of innocence.

Suddenly, the car was surrounded by shabab - young men - all absurdly solicitous, the more so when they saw blonde-haired Fred, Hannah and Patrick arrive on the scene. "Smash car!" asked two-year-old Patrick, clearly pained that he had not been able to join in the fun.

As we were enthusing about the

## FASHION

## Hemlines: it's a long story

Lucia van der Post discovers how to wear this season's hot new skirt

**I**N BETWEEN worrying about the big issues - the ERM, mortgage rates, unemployment... you know the sort of thing - what is really creating the fashionable woman's brow this autumn is: will she or won't she take to the longer skirt?

On catwalks, in store windows, in glossy magazines and snazzy boutiques the long skirt reigns (nearly) supreme. But wander round the stores, go to a chic little gathering or to a private dinner party and what is everybody wearing? Curvy little suits with snappy

short skirts, that's what. And if they are not wearing curvy little suits they are more than likely wearing trousers.

Part of the problem seems to be that few people are sure how to wear long skirts. After the sassy, sexy short skirt which we had all learned how to wear (opaque tights and pumps were all it really needed) the long skirt seems fraught with perils. It can so easily look dowdy and frumpy.

Suzie Faux, who runs the *tres tres* chic Wardrobe boutiques and is a dab hand at transforming the most frumpy-

ish of customers, believes that almost everybody can wear the new long look. "It just needs careful attention to the legs - the skirt should never stop where the leg is at its fattest. On some people the best length will be near the ankle, on others a little below the knee. There is no substitute for trying them on and experimenting with lengths and with jackets. I have found that most of my customers look best with a belted jacket that covers the bottom. It must on no account be skimpy. It also needs the right shoe - Robert Clergerie does

a wonderful shoe, Samba, which has a platform heel so tiny that it is more like a double sole. It looks perfect."

This year's long skirt should be soft, flowing and very feminine. Many of the best come tied sash-style at the side or with slits, allowing - but decorously - quite a lot of leg to show. After all, nobody wants to waste the effects of all those aerobic classes.

This week the fashion page talks to some women about town who have already decided that they won't be without a long skirt this autumn...



**DONNING** a long skirt means more than just a change of hemline - it means a complete change of mood. If it is not to look dowdy or ageing then a real touch of glamour is required. Think of all those goddesses of the silver screen and you will get the drift. The no-makeup face has gone, the bare nails, the cropped hair - in their place are defined eyebrows, deep-set eyes, full lips, painted nails, full hair. It is good news for the makeup houses which have cashed in on the mood and brought out strong new ranges to help customers create the right look. In cosmetic-house-speak the look for the winter requires "smokey, smouldering eyes" and "very coloured lips." You can't go wrong if you remember to think glamour, glamour, glamour.

**EDWINA WILLIS-FLEMING** is manageress of the Loewe shop and being nearly 5 ft tall with the kind of figure that would look good in a potato sack she has been able to don the new long length without any of her shorter sisters' qualms.

She is wearing long skirts partly because they are in fashion, partly because they make a change from short and partly because she finds them very elegant and easy to wear. She thinks it "has brought a much-needed breath of fresh air to the fashion business. Depending on how they are worn, they can have huge sex appeal. So much more is left to the imagination, which is always more beguiling."

She finds them very versatile. By day she wears them with a ribbed polo neck, a pair of ankle boots and opaque tights. At night she would choose something with a slit at the front with high heels, perhaps with slight platforms, and sheer tights.

She also thinks it needs careful accessorising and she chose pieces, like the choker, which work with what she calls "the modern, classic forties look."

Edwina wears a long straight burgundy Nubuck suede skirt, £650, a burgundy/mustard printed silk shirt, £270, and a black leather "gold"-buckled belt, £130. Black court shoes, £140. All from Loewe, 130 New Bond Street, London W1.



**JINNI** Featherstone-Witty, left, works for Kleinwort Benson in the treasury division and spends most of her day in a world of men. She hates shopping and finds that trying to look appropriately dressed in a business sense and to be fashionable at the same time is a challenge. She likes Laura Benjamin's shop off Walton Street because "I am not a standard shape and Laura will take that into account."

"I am keener on the new long look this time round - it is more feminine and more flexible and though I am worried about covering up one of my assets - my legs - I still think they can be made to look very attractive. I notice in the City that women are beginning to wear them and I think as soon as the weather gets colder we will see many more. I travel a lot and need clothes that pack and can look good. I always kept some skirts that were on the knee rather than above it as they were so much easier for travelling. I think the new look is very helpful for people like me who need a look that is both fashionable and suitable for office life."

Jinni is wearing a black wool skirt with a slit up the front, £189, and a checked tweed jacket, £285, all from Laura B, 25b Walton Street, London SW3.

**LADY DAVINA ALEXANDER**, who runs her own business as a special events consultant to a number of upper-crust companies such as Chaumet, the jewellers, and Charles Heidsieck, needs to have clothes to dress the part.

"I used to have to look smart just occasionally during the day and in the evenings when we were going out, but now I'm in a business where I need to look fashionable almost all the time. I suddenly felt that all my existing clothes were obsolete so I thought I ought to try the new longer look. I was worried that I wasn't tall enough but I started trying things on and experimenting with jacket shapes and I think that it can be made to work."

"I have to say I'm still experimenting with it - I am not entirely convinced yet. One of the problems is that it needs a whole new wardrobe of shoes. It needs a thicker, chunkier heel and I am just going to have to go out and buy them."

Lady Alexander wears a red wool jacket, £285, and a black bouclé wool skirt with a slit at the side, £185, both from Laura B, 25b Walton Street, London SW3. The shoes are E.O.U.G.E. by Pied-A-Terre, 14, Sloane Street, London SW1 and 122 Draycot Avenue, London SW3, £189. Jewellery by Chaumet.



**JENNY HALPERN**, above, who runs the fashion public relations for Joseph is photographed here in her favourite long skirt - a side split suede version - but already she feels that somehow "it does not seem fashionable to wear a short skirt."

She finds the new length not so practical for work and worries that the sexy split on the side might be thought provocative, so she still tends to stick to leggings for every day. However, whenever she feels the need to dress up a little she dons one or other of her clutch of long skirts - either the suede one or a tiger print version with a side split or a long knitted Tricot skirt which has a slit up the back.

For the evening Jenny puts the split in the middle and during the day she wears it at the side. She wears the skirt very simply with an Equipment shirt or a long top. On her feet she wears Sartore low-heeled knee-high boots... and if she were to wear shoes they would have to be high with a chunky heel.

Jenny is not throwing away her short skirts but she has definitely set them aside for the moment. "It is time for a different philosophy of dressing, for thinking about fashion in a new way."

Jenny wears a long suede wrap skirt, £399, with a tiger-print silk Equipment shirt, £130 and brown Sartore boots, £230. All from Joseph, 28, Sloane Street, London SW1 and 77 Fulham Road.



GIORGIO ARMANI

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## FOOD AND DRINK

Jill in life

TOWARDS the end of the night Lalou Bize-Leroy confessed it would be her last September tasting. The last time she would spend a week preparing her sumptuous Burgundian farmhouse for its annual influx of the great and the good in the wine-buying and wine-writing worlds.

Every September since 1984, she has climbed the hills above Meursault in their Mercedes and Porches to be ritually humiliated. Many of the world's more reputable wine tasters will sleep easier now, safe in the knowledge that never again will they have to participate in this famous blind-tasting competition; although the wines were so good that it always seemed worth running the risk of making a fool of oneself. This year, for example, we were served 33 different vintages of the great red burgundy, *Le Chambertin*, back to 1921. All we had to do, as mystery glass after glass washed over us, was say which year was which.

Lalou, as we all call her, as though she were our intimate, is probably the wine world's most famous woman, most famous at the moment for a bitter, public and extremely expensive dispute with her former business partner and her sister. But she is famous for far more than being the former co-director of the fabulous Domaine de

la Romanée-Conti who has so infuriatingly set up her own rival Domaine Leroy along the village back streets of Vosne-Romanée.

An awesome, and unusually glamorous taster, she is passionate about her wines, and now vines, almost to the point of clinical mania: The grapes that arrive at her newly-equipped winery are treated, as she says herself, like the most tender strawberries.

Showing me six men poring over the slowest sorting belt, the shallow trays in which the grapes are transported, the holes deliberately punched so that any excess moisture simply runs away, the serried ranks of brand new wooden vats and the specially-designed crushing metal substitute for the more brutal human foot, she asked helplessly: "Surely any *Financial Times* reader would be horrified by the craziness of this sort of investment?" (around £8m to make hardly 7,000 cases of wine a year).

In the perfectly-kept cellars below, French wine oracle Michel Bettane and I are taken on a cask-by-cask tour of the 1991 vintage.



Thanks to her fastidiousness, and her gifted and compliant wine-maker André Porcheret, they are marvels of geographical expression. But even in the one or two cases where we express the minutest reservation, we are corrected. No mother is more besotted.

In the great Richebourg vineyard we are asked to marvel at the smallness, ripeness, panache, upright stance of her "biodynamic" grapes

— especially in comparison with those of a particularly famous holding next door... This is a woman whose idea of relaxation is to pit her tiny frame against a rockface.

The stated purpose of her September tastings is to make her guests taste great burgundy with due attention, but it was not always felt like that. Lalou, in Chanel or perhaps Lacroix, welcomes her guests outside with a glass of mystery white, her silken crunching the gravel that separates her stone farmhouse from the ancient trees encircling it.

In 1988, my initiation year, guests included Bocuse the chef, Broadbent the auctioneer, Duboeuf the Beaujolais, Domècq the sherry, Wasserman the broker, as well as a host of collectors and writers from



Lalou: passionate about her wines

both sides of the Atlantic.

This year there was a significant Japanese presence — hardly surprising since Lalou's important new vineyard acquisitions have been heavily financed by her Japanese agents Takashimaya. Eventually, we take our places inside where sideboards are already charged with the lobsters, écrevisses, wild rice,

pâtés, sweetbreads and sweetmeats that have been pouring out of Lalou's kitchen over the last few days. (Hers is surely the only table in France where truffles are easier to find than bread.)

Yet another perennial distraction from the dozens of mystery wines to come has been a heady array of flowers, this year no fewer than 1,900 pink roses in that perfect state between bud and bloom. But the most daunting aspect of the tasting is that each of the 50 or 60 guests, many of them senior figures in the world of wine, is given a notebook, from which we have to hand in to Miss a page of our guesses for each flight of wines.

"One point will be given to each correct response," it says. Sure enough, the denouement of each September tasting has been the announcement of the "winner". The late Jean Troisgros usually managed more points than most, but an outsider would probably be appalled by how few points are scored.

Lalou may patrol the room declaiming the obviousness of various wines but, as Michael Broad-

bent of Christie's, author of several wine tasting bibles, freely admits: "I always make an absolute balls of it."

Michel Bettane, who has occasionally been top scorer, managed just 4 out of 40 one year, as did Matt Kramer, author of *Making Sense of Burgundy*. This year's winner, Martine Saunier, Lalou's all-important American importer identified 11 vintages out of the 33, for example.

We shall all miss our annual humbling. In fact, the whole equilibrium of Burgundy seems upset by what has been a financial humbling for Lalou, who has lost the lucrative rights to sell Domaine de la Romanée-Conti wines (which used to account for three-quarters of Leroy's turnover).

In its vast and sepulchral warehouses in Auxey-Duresses, the old negociant business of Leroy still holds millions of pounds' worth of the older vintages Lalou used to buy in before turning vigneronne. She had been hoping that American guru Robert Parker would come to her tasting this year and move a bit of stock by writing nice things about those venerable Chambertins.

She says that in future years she may hold some sort of tasting not at home but at the new domaine Leroy in Vosne-Romanée. It should certainly be exposed to as many wine drinkers as possible, as a shrine to single-mindedness.

## Grand Hotels

# My kind of place in the Big Apple

**Jancis Robinson stays at the Lowell and Nicholas Lander at the Mark in New York**

**I**F YOU listened to all the advice from Gerry Frank, author of the invaluable *Where to Find It, Buy It, Eat It in New York* you may never stay in that fascinating city.

Do not, he advises, give out your room number to strangers, charge calls to your room or touch anything in the refrigerator. And, in the present depressed climate, do not accept the quoted room rates. All kinds of deals are possible.

Many of the city's newer hotels were planned in happier times. You can choose from: Essex House, Mercer, St. Regis or Ian Schrager's trio, Morgan's, Royalton or the Paramount. And, as befits a city where the dollar is king, the competition is fierce, particularly between two sumptuous hotels situated within a block of New York's greatest natural asset, Central Park.

### The Lowell

It is rare to encounter a hotel bed you would happily substitute for your own back home but I did last May in Manhattan, in suite 14B of the Lowell, a deceptively small, discreet hotel on the Upper East Side that is part-British owned.

It is significant that the Lowell is the only member of the French-based Relais & Chateaux hotel and restaurant group to be found in New York City. Its decor and spirit are deliberate throwbacks to a quiet but grander age. One friend told me she had seen Mickey Rourke in the tiny lobby, another that New York's most eligible bachelor (ie a recently divorced billionaire) had taken up residence there. European guests tend to be *FT* readers, I noted in the chintzy first-floor Pembroke Room which the management consciously dedicates to power breakfasts.

In many ways the Lowell is indeed the antithesis of the American hotel stereotype. One can not only open the windows but, in 19 of the 45 suites, walk out on to one's own balcony and marvel at the proximity of Central Park (and the privacy of roof gardens).

The grumbling mini-bar is replaced by a kitchen larger and better equipped than the average resident New Yorker's (although the equipment in mine was tellingly unused). TV screens have to be sought out inside Chinese lacquer chests and mahogany tallboys. Gideon's bible may well be augmented by five shelves full of books such as *21 Sure Fire Ways To As Much As Double Your Money*.

Rooms are deliberately furnished with desks large enough to accommodate a raft of company reports and one king-sized suite, surely not aimed at Europeans, even has its own separate gym, CD system, woodfire, dining area, two bathrooms, three TVs and seven telephones (two fewer than the presidential suite).

In the same building is the Post House restaurant and bar, famous for its steaks, wine list and clubby atmosphere, particularly during immediately post-Wall Street hours. A useful place, but not for impoverished female vegetarians.

Room rate from \$260 (£152) for one of their four singles but \$520 (£304) for a one-bedroom suite such as 14B.

The Lowell Hotel, 28 East 63 St, New York. Tel: (212) 838 1400, fax (212) 319 4230.

### The Mark

In any part of what Americans succinctly call the hospitality business first impressions are vital — perhaps none more so than in an hotel after a transatlantic flight and an even bumpier cab ride.

Here was the first of The



The Lowell: antithesis of the American hotel stereotype

Mark's attractions, their Head Doorman. During my five-day stay the doorman whispered an instantaneous weather report, never failed to give me a smile and immediately knew where I could conveniently buy the *FT*.

The hotel's physical charm stems from the fact that it was originally a residence building, built in 1926 and known as the Hyde Park, and converted into an hotel five years ago as the New York flagship of the Munich-based Rafael Group.

My room had all the amenities that corporate good taste and the big budgets of the 1980s could buy. The finishing touch was a pair of extremely comfortable leather slippers left by the bed on the first night.

including wines), and built up a first-class wine list. But they also know what is going on in the Big Apple. When an early morning appointment took me down to Wall Street they told me to call in for breakfast at Florent (69 Gansevoort Street, 989-5779). Originally a coffee shop straight out of an Edward Hopper painting, Florent is now a cafe/restaurant open 24 hours and run by a Frenchman. At the bottom of his menu is a phrase all hoteliers would love to copy: "We are pleased to accept cash only."

The Mark, Madison Avenue, East 77th Street. Tel: 212-744-4300, fax 212-744-2749. Rooms from \$365 plus taxes.

### Bookshelf/Jill James

WE HAVE all heard of the gnomes of Zurich — but what exactly do they eat? Sue Style tells us in her excellently written and presented *A Taste of Switzerland* (Pavilion, £15.99).

There is culinary life beyond the fondue and *Style* has put together the elements that make up Swiss cuisine dealing in her usual authoritative and engaging way with the country's food, wines, gastronomic traditions and history.

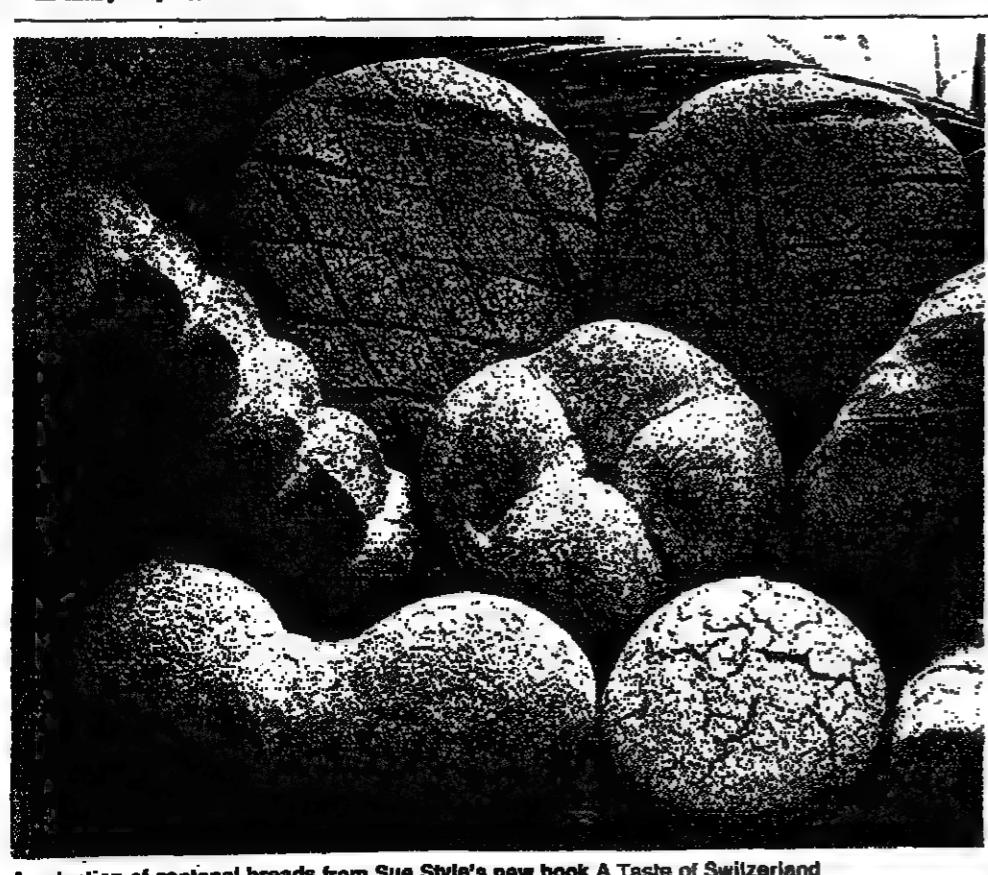
*Style's* book is good value but many food books in that price category are not, so it is nice to be able to point to a clutch of decent food books costing under a tenner.

For those who like good writing as well as good eating *Virago* has published a food anthology, *Locavore and Wisher* (£17.99, 162 pages). It brings out a variety of responses to the request to write something — anything — about food to mark Oxfam's 30th anniversary. Anger, wit, fantasy, story-

telling, poetry and more are interspersed with recipes. Authors include Maeve Binchy, Germaine Greer, Doris Lessing and Virginia Woolf.

Glenfiddich-award winner Lynda Brown has experimented with a variety of crops and ways of growing them organically. Her practical tips on planting and harvesting make up *The Cook's Garden* (£24.99, Vermilion, 266 pages). Bean salads, scarpaaccia and ways of tackling that most recalcitrant of vegetables, the Brussels sprout, make up a guide which even seasoned kitchen gardeners will find worthwhile.

Last, but not least, a delightfully illustrated first series from John Midgley — *The Goodness of Beans, Peas and Lentils, Potatoes and Root Vegetables, Garlic and Olive Oil* (each 65 pages, £4.99, Pavilion). Each book has 30 recipes and a basic information section. Ian Slatway's watercolours makes them top value.

A selection of canonical breads from Sue Style's new book *A Taste of Switzerland*

## Is it schnapps or vodka?

**Giles MacDonogh enjoys an unusual pick-me-up**

**W**EDEHOLMS FISK in Stockholm is one of only eight Michelin-starred restaurants in Sweden. We were served a plate of Swedish hors d'oeuvres rather in the manner of Russian *zakuski*. There was very lightly smoked salmon and delicately marinated gravlax which came with a rather sweet, mustard sauce. Matjes and Bismarck herrings, salmon and bleak roe came from fish caught above the Arctic Circle. To drink with this we received a glass of Prippa lager and a tot of lemon-flavoured brännvin or schnapps.

I call it schnappa but the makers, the Swedish government monopoly Vin & Sprit, would rather it were called vodka. It is more a question of marketing than semantics. Schnappa distilling is a Baltic tradition: the Swedish word brännvin means burnt wine; where the Russian word vodka with its watery connotations is closer to the Swedish word for spiced schnappa aquavit. Aquavit just means eau de vie or if you prefer, whisky.

I suspect that the Swedes feel that we might have trouble pronouncing brännvin and perhaps they are right to call it vodka. Certainly the tradition of making a highly rectified vodka in Sweden goes back for more than 100 years.

In 1879 L.O. Smith (he had assumed the name of his guardian, who may or may not have been of British origin) began distilling an *absolut renault brännvin* (absolutely pure schnappa) at Reimersholme near Stockholm.

The spirit was distilled ten times until all impurities (and presumably all flavour) had been removed. The Stockholmers loved the new drink, and when the city fathers tried to prevent it being sold they took it to their boats, filling up their containers at Smith's Island distillery until the authorities were forced to concede defeat.

When in 1979 the Swedish monopoly decided to launch a quality spirit on the export markets they remembered L.O. Smith and his *Absolut* and Absolut Vodka was born. *Absolut* is a highly rectified spirit, but not, I hasten to add, quite so drastically cleaned up as Smith's original brew; rather more of the grain flavour survives than in other commercial vodkas, but far less say, than you would find in a north German Kornschaps.

*Absolut* now comes in three forms: straight vodka, "cirron" and pepper. The flavouring of schnappa is another tradition which extends throughout northern Europe and the Baltic, and in spite of the fact that quality grain spirit is now distilled in only one place in the whole of Sweden, this flavoured schnappa or aquavit continues to be produced.

Sweden's principal licit distillery is in Åhus in the south of the country. It was there that I tried a range of these drinks: Herrgård's a licorice-tasting spirit aged in sherry casks; O.P. Anderson, a Swedish kummel; Hallands Fläder flavoured with elderflowers; porbrännvin flavoured with bog-myrtle, which gives it a suitably earthy, indeed swampy taste; Ostgård Sädes brännvin which is essentially a Swedish grain



the long winter; smoked, pickled, salted or marinated foods; oily herrings and salmon; roes of every description, including the abominably salty turbot roe we ate in an otherwise fine restaurant in the south of the country. Vodka is said to protect you from tainted foods: hence the Russian habit of drinking it with what was often putrid caviar.

Finally, brännvin was the traditional compliment to the smörgåsbord. The word means "buttered bread" such as the German Butterbrot. In the last century there were as many as 200,000 distilleries in Sweden making brännvin. Consumption became such a problem that a referendum was taken on whether to ban alcohol sales altogether. The drinkers narrowly won the day, but the result of the poll was the creation of the Swedish monopoly in 1917.

In the intervening 75 years the number of distilleries has been whittled down to just Åhus, a situation which no one feels will change once Sweden joins the EC and the monopoly is finally wound up.

Brännvin schnappa or vodka (whatever you want to call it) goes very well with basic Swedish food: the circles of crisp bread which were formerly hung up to dry before

### An Evening of Fine Wine and Food at Fortnum & Mason

St James's Restaurant on Thursday 29 October at 7.30pm in the company of:

Jancis Robinson

- broadcaster and writer

Madame de Lencquesaing

- owner of Château Pichon Lalande

Annette Duce

- Wine Buyer, Fortnum & Mason

After a Champagne reception all will dine appropriately accompanied by:

Fortnum & Mason Pauillac 1989

Château Pichon Longueville Comtesse de Lalande 1984

Château Pichon Longueville Comtesse de Lalande 1982

Château Pichon Longueville Comtesse de Lalande 1970

Château d'Yquem 1981

Jancis Robinson will observe upon the wines of the evening. Madame de Lencquesaing will speak on the Château Pichon Lalande.

Only 100 tickets are available

- price £45.

Please book early to avoid disappointment.

Please contact Mrs Audrey Pole - Secretary to the Managing Director (Mon-Fri).

**FORTNUM & MASON**

## GARDENING AND MOTORING



## Too good for the mud

WOULD you walk into your drawing room wearing muddy wellingtons? I thought not. In which case, having invested £40,000 on a new Range Rover Vogue LSE, with its leather-seated and Italian poplar veneered interior, the last thing most owners would do is drive it axle-deep in mire.

Here we have a paradox. The two most significant improvements to the 1992 Range Rover are electronic air suspension and traction control. They equip it to do even better what only a handful of owners ask of it — which is to go clambering about on rough terrain.

A clever suspension system depends on an electric compressor to keep the air at the right pressure in the rubber bags which replace the normal coil springs. There are five heights. In access mode, the vehicle sinks down on to its bump stops, making it easier to enter and leave. The next setting (low profile) is assumed automatically at more than 50 mph (80 kmh) to improve main

winding roads. Although it holds the road well and corners quickly and securely, its handling is not as car-like as that of a Mitsubishi Shogun or Isuzu Trooper.

For driving across rough

country, the Range Rover is still the one to beat. The new electronic traction control system uses the same wheel sensors as the ABS brakes. Whatever grip the tyres have, the driver can make best use of it.

Exclusive to the Vogue LSE is a 4.2-litre, 200-horsepower development of the veteran Rover V8 engine, linked to a four-speed automatic transmission. It provides brisk acceleration, quiet motorway cruising, and enough muscle to tow trailers of up to four tons.

The official figures suggest an average fuel consumption of about 17 mpg (16.6 l/100 km) or 300 miles (480 km) from an 18-gallon (82 litre) tankful. I think this might be over-optimistic, especially for motorway driving. I shall know soon. Next week I am driving a Vogue LSE to Paris for the Mondial de l'Automobile show at which it

makes its public debut alongside the latest Land Rover Discovery, with its 3.9-litre V8 petrol engine and automatic transmission. The show also will mark the European debut of the big, new Chrysler Jeep Grand Cherokee — a Range Rover rival, although Britain will have to wait until 1994 for right-hand drive versions.

Having sampled the air-suspended Range Rover, I thought the seat-sprung Discovery automatic would be an anti-climax. In fact, I preferred its feel and handling on the road. Past experience has proved that, even without adjustable ride height, it is formidable capable across rough country.

As a single air-suspended, super-luxury LSE (at £38,995) costs almost twice as much as a Discovery (from £19,654), you have to ask if Range Rover prices have finally gone over the top. Or have they, like the air suspension at only standard height, still some upward movement left?

Stuart Marshall

## ESSENTIAL HOME

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## ARTS/COLLECTING

Off the wall/Anthony Thorncroft

## Message for the minister

PETER Brooke took his first public engagements as Heritage Minister yesterday. He visited the Yorkshire Sculpture Park and then drummed up support for the northern branch of the Association for Business Sponsorship of the Arts, a nice mix of avant-garde and commercial.

Brooke arrived with the advantage of low expectations from the artistic mafia. His only known arts interest - he is a Trustee of Wordsworth's Dove Cottage - hardly matches the encyclopaedic musical knowledge of David Mellor. But the history of arts ministers suggests that the novices to the field, like Richard Luce, often deliver more in actual results than the panjandrums like Lord St John of Fawsley.

Brooke will keep a lower profile than Mellor, mainly for security reasons (he served a stint in Northern Ireland). But while Mellor never got round to making many decisions Brooke is carrying home bags of red boxes shrieking with issues needing judgments.

The most important in the short term is the size of the arts and heritage grant for 1993-94 which will be decided by Mr Portillo and the Treasury in the next six weeks. Even Mellor, who had John Major's backing to boost national well-being through a cultural revival, was warning against too much optimism in the current financial climate. But Brooke, as a newcomer, should qualify for a boost and could get a grant uplift slightly above the inflation rate.

Then Brooke must decide his attitude to the Arts Council. Less than a year ago the Council was on the ropes. The Arts Minister of the day, Tim Ranton, was keen to devolve most of its clients to new regional arts boards, and to control the

grants of the big companies direct. Suddenly this all changed. Mellor was against devolution. He was also lining up the Arts Council to act as the distribution channel for Lottery money when that comes on stream. His disappearance is a bad blow for the Council. If the Whitehall bureaucrats capture the ear of Brooke his future once again becomes uncertain.

As for the Lottery, this could be the key to it all. Mellor was a great fan, keen to introduce the Bill before Christmas, and prepared to battle in the Commons to make sure that the debilitating amendments expected to be tabled were defeated. It will require a deep

*The novices in the field often deliver more results than the panjandrums*

commitment by Brooke to ensure that the promised £10m from Lottery proceeds actually comes through to fructify the artistic, heritage, and sporting life of the nation.

★ Throw in the future of the BBC, the fate of the National Arts Strategy, and the little matter of a home for the Heritage Ministry and Brooke would seem to have no spare time to get embroiled in the long running saga of Covent Garden. He should. If he knocked a few heads together there his reign could get off to a spectacular start.

This week's two investigations into the travails of the Royal Opera House took us back nine years to the Friday Report and the last major assessment of its strengths and weaknesses. Clive Priestley, like Warnock and Price Waterhouse on Thursday, also praised Covent Garden's artistic output, criticised its man-

agement, and said that if the bosses got a grip on costs the government should give the ROH more money. As a result a little extra cash was fleetingly provided, a few industrial practices were reformed. Then both sides gave up the struggle.

There is a real danger that history will repeat itself. With Mellor, its arch critic, gone, Covent Garden seems confident enough to ride out the storm. The Board howed imperceptibly to the critical wind by renewing general director Jeremy Isaacs' contract for two rather than three years, but it dug in its heels on its commitment to the £250m redevelopment plan and persuaded the

receipts of four gala evenings.

The report, or at least the brief summary released to the press, also dodged the issue of the composition of the board. The alternative report, from Price Waterhouse, recommended a much broader participation by expert outsiders. The Lottery, and the Foundation for Sport and the Arts as potential sources of funding also failed to get a mention.

Instead the reports got embroiled in the great redevelopment saga. You must admire Covent Garden's determination to press ahead with a £250m commercial project, involving at least two years closure, during an unprecedented slump in the property market. Perhaps Isaacs does have pledges for half the £250m the ROH must provide. If he could announce that, say, £50m is in the bag the enterprise becomes viable.

Certainly Covent Garden is becoming the most slummy of the great European opera houses. But if the recession continues ROH would be well advised to go for the partial revamping of the back stage facilities, approved by (or the Lottery) might well be happy to put up £10m for new wiring and some cosmetic front-of-house changes to ensure that the Opera House has something to offer during the millennium celebrations in 2000.

Brooke could broker a package. A strengthened board and management will promise to force through industrial changes. If they lead to strikes the Arts Council would make good any financial loss. No decision on closure will be made until 1994 when the financial situation could be very different. And a successor to Isaacs should be appointed soon. After all, he, or she, will have to guide the Opera House through the really traumatic years after 1995.

regarded as disgusting or "unintelligible" (Gladstone), though in our day it has seemed more appropriate to regard it as a forerunner of Eliot's mood of urban desolation: "And I loathe the squares and streets, And the faces that one meets... and my heart is a handful of dust" - his fame and influence were universal. He became firm friends with Queen Victoria, who informed him that, after the Bible, *Memories* was her greatest source of comfort; his public poems - especially the "Ode on the Death of the Duke of Wellington", were the anthems of the nation; and his acceptance of the peerage in 1883 seemed to crown a lifetime of achievements. His funeral in Westminster Abbey was a gloriously pompous occasion. They are excessive because the ROH presents too extensive a programme on too small a subsidy. Management reforms could save £1m a year but this is only equal to the box office

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years.

## A poet much misunderstood

One hundred years after his death Michael Glover defends Tennyson



Tennyson in old age

the son of a great Whig historian, Arthur Henry Hallam, with whom he was to develop the most intense friendship of his life, cut short, tragically, by Hallam's death of a cerebral haemorrhage in 1833 at the age of 22. Hallam, muse and shade, appears and reappears in Tennyson's poetry throughout his life.

Tennyson's contemporaries at university recognised immediately that they had a poet in their midst - by gait, manner and distinctive dress; he recognised his vocation from the start and stuck to it. He wrote prose of any description with great reluctance - his surviving letters are almost all short and to the point; he never wrote a preface, an essay, a review, a diary, a memoir or even a fragment of autobiography.

And he published his own poems with great reluctance.

The first collection, *Poems. Chiefly Lyrical*, appeared in 1830, and its mood is that of the embroiled soul, self-absorbed and thoroughly miserable in the concentrated way that only youthful poets can be. It is also verbally luscious - a weakness that his poetry would always tend to suffer from.

For the next two decades he lived a somewhat aimless life. Carlyle vividly captures him in 1840: "A fine, large-featured, dim-eyed, bronze-coloured, shaggy-headed man... who swims, outwardly, with great composure in an inarticulate element of tranquil chaos and tobacco smoke; great now and then when he does emerge."

It was the poems of 1842, which included such pieces as *The Lady of Shalott*, *Ulysses* and *Godiva*, that established

the themes of the Victorian age, starting perhaps with *The Princess* of 1847, which tackles the burning issue of female education.

In spite of his gathering fame, Tennyson suffered a prolonged physical collapse during the 1840s. His financial difficulties were eased by the gift of a Civil List pension in 1845, but it was not until 1851 that the clouds finally dispersed. This was the year of *In Memoriam*, a secretive marriage to Emily Sellwood which brought stability into his life, and his award of the Poet Laureateship.

Thereafter, and in spite of the occasional critical lambasting - *Maud* was generally

edited by Christopher Ricks.

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## ART GALLERIES

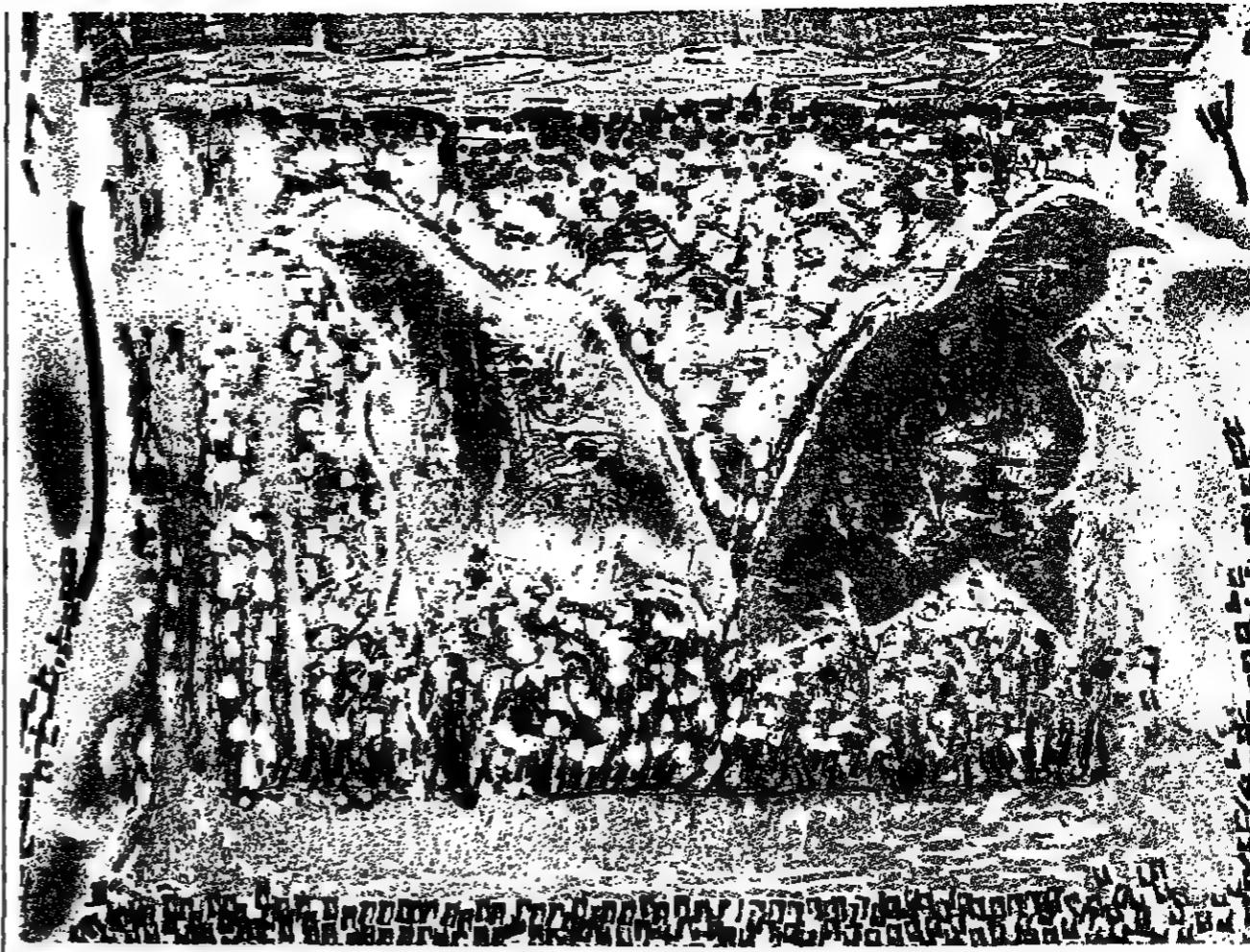
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One of reclusive Canadian painter Jean-Paul Riopelle's works at the Marwan Hoss stand at FIAC

## Traditional dealers on top

WHILE the art world prepares for the huge Paris contemporary art fair FIAC this month, dealers are going round New York that no fewer than 100 Parisian galleries have been forced to close by the recession. The figure is inflated, but it is true that an unprecedented purge is on after years of carefree prosperity.

Galleries in France doubled in the 1980s from just over 500 to more than 1,000, while sales of modern and contemporary paintings at auction tripled between 1985-1990. Galleries working not directly with artists but specialising in quick resales sprang up not only around the trendy east end Bastille area but also on the Right Bank.

This year the effects of the 1990 contemporary art market crash which started in New York began swathing through Paris. Prices for paintings have dropped by a rough average of 50 per cent and turnover has fallen proportionately. Not only speculative dealers but quality dealers have been hit. Iy Brachot, who also has a gallery in Brussels, closed his Left Bank Paris headquarters this year. Baudouin Lebon, a specialist in leading French artist Jean Dubuffet, had to file a petition in bankruptcy. Galerie Daniel Lelong, which represents stars such as Francis Bacon and Spanish artist Antoni Tapies, has been forced to shed half its staff and close one of its two Paris premises. Antoine Candau, one of the first dealers championing young contemporary artists to set up in the Bastille area, has gone out of business.

Most well established galleries with good stocks and good stables of artists, however, are weathering the crisis.

Brand new galleries with low overheads representing up and coming, low priced artists are even beginning to open in the streets around the Bastille.

The real test of the health of Paris's and Europe's contemporary art market comes when the week long Paris FIAC (Foire Internationale de l'Art Contemporain), one of the world's top fairs, opens in the Grand Palais on October 24.

Some 100,000 people are expected to visit 161 galleries, 37 of them from abroad, representing works by some 700 artists. Some 400 more dealers applied to take part and were refused.

Last year economic gloom frightened a lot of people at the FIAC into showing very staid, classical material. This year looks like being livelier now that the gloom has become

chronic. A large number of stands are staging particularly fine one man shows.

Paris dealer Marwan Hoss is showing 20 recent large format works by reclusive Canadian painter Jean-Paul Riopelle; his first Paris exhibition in 10 years. Jacqueline Moussion is showing the work of the French based Haiti born artist Hervé Télémaque and the Korean Moon-Seup Shim. The works by the former are stark combinations of minimalist painting and videos evoking Haiti and its ills. Those by Shim form an altogether more tranquil collection of sculpture.

Nicholas Powell tests the water for Paris' contemporary art fair this month

tires in iron.

Jacqueline Moussion thinks it quite normal that some Paris galleries should have disappeared while others, like hers, ride out the recession. "Most of those who have gone to the wall were merely commercial and didn't know what art is. The best dealers always had to supply their artists' work to the galleries and auction houses out for short term profits. Dealers who work with a stable of artists, foreign galleries, museum curators and collectors will survive."

MEANWHILE, the presence of the world's biggest spender, the Sultan of Brunei, was reported stalking the jewellery section of the Biennale des Antiquaires which was greeted with understandable joy. For this year the 120 participants at the world's grandest antiques and fine art show spent as never before - FF 50m all in all - to make the event as spectacular an attraction as possible. It has been a huge success. Only a few days after the opening of Biennale, which ends tomorrow, big sales were being reported.

Paris dealer Yves Mikaeloff's stand was soon deprived of its star exhibit, a massive, FF 12m, mahogany and gilded bronze commode made in 1770 by French cabinet-makers Sevres and Foullet - the client insisted on taking it with him. Mikaeloff also sold two paintings, five drawings and a William Morris carpet while his neighbours, tapestry specialists Galerie Chevalier, parted with eight pieces ranging from FF 30,000 - FF 2m, all to new clients, on the first day.

As a major attraction on the grandest of scales is catered for, too with several furniture dealers choosing to wall their stands with antique wood paneling. Achkar Charrières boasts painted panels with inset vases by late 18th century painter Fassin from Libge. Gismondi of Paris has late 18th Century light blue and green panels complete with a bas relief panel by sculptor Clovis. Axel Vervordt from Antwerp offered one room of 18th century French white colonnaded bookcase paneling and a complete Louis XIV room stripped to its original light green paint in order to set off, he said, his antique Chinese bronzes.

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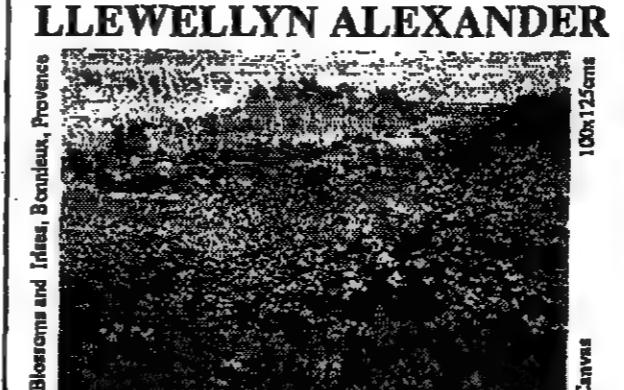


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## BOOKS

# Ottoline: a lady loved in fiction

**Anthony Curtis** admires a stylish brand of eccentricity

THE so-called portraits of Ottoline can't possibly be Ottoline", D.H. Lawrence wrote from Florence in 1923 to the subject of this biography. It was a letter ostensibly to commiserate with Ottoline on her "mysterious illness" and operation on her jaw, where cancer had been diagnosed. The resulting shape of her chin was a hideous disfigurement of a once beautiful woman. As well as sending a "get-well-soon" greeting Lawrence took the opportunity to try to heal the 12-year-long "breach in their relations. Contact between them initially so warm, had ceased abruptly on the appearance of *Women in Love*.

Almost all the novelists whom Ottoline entertained in her celebrated salon in Bedford Square before the First World War, and at Garsington Manor during and after the War, found her "stylish brand of eccentricity" an irresistible challenge. Ottoline, a half-sister of the Duke of Portland, was a maze of contradictions - simultaneously an aristocrat, an aesthete and an artist's groupie.

Aldous Huxley put her into three of his books: as Priscilla Wimbush in *Crome Yellow* (1921) - where she appears against the background of a typical Garsington weekend; as Mrs Aldwinkle in *Those Barren Leaves* (1925); as Mrs Bidlake in *Point Counter Point* (1928). Virginia Woolf embellished letters to friends they had in common and her journal with some coruscating vignettes of "Ott".

Miranda Seymour believes that there is also more than a hint of Ottoline in Clarissa Dalloway. Graham Greene confessed to borrowing Ottoline for Lady Patricia Bury in *In a Battle*.

Osbert Sitwell in *Triple Figure* (1924) called her Lady Septugesima - Goodley. The name guys Ottoline's lifelong passion for do-gooding. It had been sparked by Charles Kingsley, whose books she loved as a child, and who was a friend of her parents, the Bentincks. Readings from Thomas a Kempis confirmed her ambition to occupy the high moral ground. Heightly struck you on meeting Ottoline. Sirwell put it: "she was so tall she looked like an animated public monument" and with a voice that resembled the "peaceful lowing of cattle and the barbed drone of wasp and hornet".

Miranda Seymour also cites obscure Ottoline novels by Gilbert Cannan, "J.A. Revermont" (John Crabb), the Australian-born music critic W.J. Turner, and the Irish actress Constance Malleson. Ottoline's rival in the great game of being bedded by Bertie Russell. This the actress eventually won, but only after a series of strenuous heats. Ottoline had ditched the painter Henry Lamb as her lover for the more intellectual allurements of the philosopher.

Ottoline shrugged off the lesser fictional caricatures. It was Lawrence's - Ottoline as Hermione Roddice ("...she had no natural sufficiency, there was a terrible void, a lack, a deficiency of being within her... etc. etc.") that left the lasting wound.

But in that belated olive-branch letter Lawrence did his best to restore Ottoline's self-esteem. "And in the world today", he continued, "full of women, how rare to find one that can move the imagination! No, I wish and wish deeply, there could be Ottoline again and Garsington again, and we could start afresh!"

crocodile tears? Lawrence had at that moment just completed a new novel. It concerned a married woman with a title who had a passionate affair with a game-keeper on her estate and he felt sure that Ottoline would understand what he was trying to do in it.

"The re-entry into life" he told her: "of a bit of the old phallic awareness and the old

peaches, etc.

## ARTS



Going native: a scene from Coppola's 'Apocalypse Now' which had an uncharted madness of its own

## Lure of the wanderlust movie

IT USED to be confined to mad dogs and Englishmen. But the 20th century has evolved and so has the art of baring oneself to the elements in far-off climes. Along with other follies once associated with Victorian exploration or safari tourism - shooting rapids, braving monsoons, eyeballing wild animals - going to distant places to seek inspiration or romantic agony has become a cinematic speciality.

From the South America of *Aguirre, Wrath of God* and *The Mission* to the Philippines-as-Vietnam of *Apocalypse Now*, film productions shot in inhospitable locales have grown their own mystical charisma: especially in an age when the march of civilisation has made such remote outposts of Nature rarer and rarer.

When two practitioners of the wanderlust movie now squiring their work through London - Roland Joffé (*City of Joy*) and Werner Herzog (*Scream of Stone*) - were offered to me for FT interviews, I thought about it and then declined. Main reason: I have met both men before and know the crash-course verbal deliriums they supply when asked to rationalise the irrational.

For there is an irrational beauty in the hostile-locate movie. The best such films succumb to the hallucinatory transports that afflict travellers lost in the desert, while even the worst provide moments of crazed beauty amid the banality. All the more reason not to trust the directors' PR arias. Doing so, you would believe that two key tendencies mark the wanderlust movie. It never fails to establish a miraculous, mutually improving rapport between the visitors and the place and its people. And it always ensures that no harm physical or cultural is done to the environment and its inhabitants, human or animal.

## Badly handled science

HERE ARE times when the Royal National Theatre seems like one of those old east European state enterprises where nothing matters except meeting the production targets. The product may be faulty, some of the people concerned must know that it is faulty, but there is no way of stopping it once it is in the system. No-one stands back and says "look, we are inviting a paying audience to enjoy itself; this won't do." Perhaps the actors are too frightened to protest.

That is the charitable way of looking at Tony Harrison's *Square Rounds*, which opened at the Olivier on Thursday. A more unkind thought occurs: possibly the cast and directors are so involved in the performance that it does not occur to them to detach themselves and reflect on how awful it might look to the observer.

To be fair to Harrison, he does not describe *Square Rounds* as a play but rather as a

"new theatre piece". It is unclear what that means except as an excuse for having no characters, no drama, no pathos, no jokes and no plot. *Square Rounds* is about chemical weapons and the old truism that while science can be a force for good, it can also be a force for ill. Nothing wrong with that as a theme; it is the way of handling it that matters.

After about the first two hours, I was preparing to write that nothing is as bad again as the first 20 minutes. That, however, is to reckon without the last 20. The piece opens with the Kaiser's scientists confronting the British over nitrogen and fertilisers; apparently the Brits had the wrong approach to defecation. The opening is setological all the way. A huge, though mercifully curtained, WC occupies the centre of the stage.

There is a twist. German scientists demonstrate their superiority by speaking in verse, and it is in verse that

proved no less foreign and hostile than the deepest jungle, function more powerfully in their early disorienting scenes - when the viewer like the characters must pick his way through a yet-unmapped labyrinth of places, themes and emotions - than when the signposts come out, moral and geographical, and the director hoves into view offering roadside assistance.

There are three main movie-making responses to wild places. Joffé, like *City of Joy* demonstrates, is a message-monster foolish enough to try to bend wildernesses to its Western bromides about hope and humanism. Other film-

**Nigel Andrews on the jungle fever to which many directors are happy to succumb**

makers like Herzog, at his best, are able to tune into the native wavelength and find inspiration rather than impose it in wild locales. For other film-makers still, a third and more perilous extreme beckons.

Here "going native" implies something grotesque and Conradian: as in the psychological jungle fever that overtook Coppola when filming *Apocalypse Now*, his updating of *Heart of Darkness*. Out in the Philippines, Coppola's unit suffered everything from heart attacks (star Martin Sheen) to weather-destroyed sets (an entire mock-Vietnamese village) to the absurdist coup de grace of a guest star (Marlon Brando) at once too fat and too thinly-prepared for his crucial role.

Impossible to believe that this chaos would have raged if the film had been shot in a studio on soundstages and

backlots (as Orson Welles planned to shoot *Heart of Darkness* back in 1941, before he was sidetracked by *Citizen Kane*). But equally, *Apocalypse Now* captures something of the terrible beauty of an uncharted war in an uncharted land, if only by succumbing to some uncharted madnesses all its own.

But at best in the wanderlust genre, the spirit of place can be a force disorienting as well as terrifying, authenticating as well as disorienting. It may be Lillian Gish riding the ice-floes in Griffith's *Way Down East*; or the storm-torn landscapes sculpted by pioneer location director Robert Flaherty in his earliest documentaries (*Nanook of the North*, *Man of Aran*); or David Lean's epic frescoes of sand and light in *Lawrence of Arabia*; or Klaus Kinski on his current-caught Amazonian raft, circling into madness in Herzog's *Aguirre*; or Herzog (again) conjuring dramatic as well as physical mirages from the deserts of *Fata Morgana* or *Even Dwarfs* Started Small.

Most recently of all, Bruce Beresford in *Black Robe* accompanied his crew and actors into Canada's wintry wastes and returned with a film overpowering from circa 1800 to 1800. MacGregor sees poor labelling and lack of additional sources of information at the Uffizi, the Louvre and Rijksmuseum, as further proof of a stratagem aimed principally at "a world public".

The greatest challenge that the far-flung location issues to the film-maker is to throw away the old maps, dramatic as well as geographical, and to honour wild unknown worlds with new and bold dramatic patterns of his own.

The hang of the pictures is more spacious than in most

and bold dramatic patterns of his own.

MacGregor and his trustees have also rejected the idea of introducing charges via the back-door by creating a "Friends" organisation, the marketing ploy now so popular even with non-charging museums such as the British Museum and the Tate. MacGregor may talk of "privileging" the locals but eaches them which smacks any more

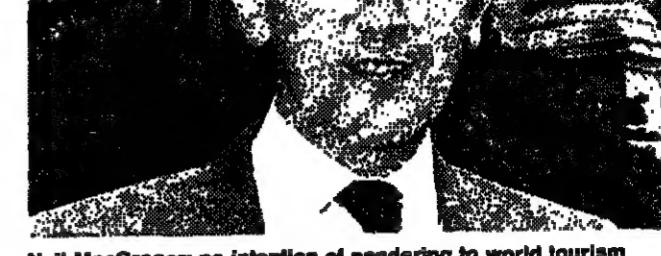
continental museums; labels have become markedly more fulsome. A policy of small, popular exhibitions in the "Paintings in Focus" and "Brief Encounters" series has proved extraordinarily popular and is being copied by museums abroad.

Then there is all the back-up available to the inquisitive visitor. Computer terminals in the Sainsbury Wing's Micro Gallery "make the wider shores of mythology and iconography accessible". There is a free monthly News Letter, free daily lunchtime lectures, evening debates, and weekend study-days. Warders are invited to early morning art-history talks to keep them mentally on their toes.

Central to MacGregor's concept of the Gallery's public is his resolute opposition to entry-charges. Interestingly,

MacGregor quotes a favourite passage in Iris Murdoch's *The Bell*, in which a character feeling wretched goes to the Gallery for the thousandth time. Walking past familiar pictures "as through a well-loved grove" Dora feels calm descending on her. She looks pityingly at visitors peering at masterpieces, guidebook in hand. "Dora did not need to peer. She could look, as one can at last when one knows a great thing very well, confronting it with a dignity which it has itself conferred."

MacGregor's deeply-held belief is that "the pictures at



Neil MacGregor: no intention of pandering to world tourism

Trafalgar Square are of such quality that they will speak, and say something which matters, if given time. Saturated as we are by the moving image, it has to be a conscious effort to look at, to relax into, one image for minutes at a time. MacGregor again refers admiringly to the 18th century, when museums were intended to change visitors.

"There's no point in reading Shakespeare's sonnets without bringing it to your own experience of love and rejection. It's just the same with Titian's "Bacchus and Ariadne", as most people realise if you sit them down to look." Great art will speak, even change the viewer, if he or she has the confidence to bring it to their own emotional experience.

"The dignity of the thing can be taken on by the looker. People take themselves seriously when they look at something of supreme quality. That, I think, is the key job of the reactionary art gallery - or traditional, if you prefer. All museums are the product of the Enlightenment. The end of enlightenment is a £10,000 fee at the Uffizi."

## Radio/B.A. Young

## Fidelity counts

THE BOOK in Radio 4's morning parliamentary slot this week is Sue Townsend's *The Queen and I*, which I think a very bad joke. Great Britain, Radio 4's Monday play, was artificial, but provocative in theme. Vic and Barbara (James Grout and Rowena Cooper) visit their son Mark (Julian Rhind-Tutt) in Berlin, where he has lived for five years without seeing them. Vic is aghast to find that his son is gay, running a gay club with a young German. But he is in hospital after a beating-up by roughs from East Berlin.

Now Vic serves in Berlin in 1946, and he and his mate beat up a Berliner whom they thought was a pervert. We hear the sound of this now and then. Then we get the similarly motivated attack on Mark, that has sent him to hospital. We are to see how thought has become freer since 1946, as shown, or not, in these folks' beliefs. But we are never really in Berlin, either today, or in 1946. Little was done by author or director (Janet Whitaker) to suggest it. We could be anywhere, but not

Zagreb.

If you kept switched on for the next programme, *The Yugoslav Notes*, you had a vivid picture of Zagreb from American reporter William T. Vollman. This is not an account of the warfare, but of the effect of warfare on its denizens. Vollman tells of a visit to the cathedral, of a man

equipped to show the history and the adventure of his craft. It was opened in 1988 by the Princess Royal, and has become a great success.

For the other award, Richard Wilson and Carl Beeson bought an unused brewery and began to brew their own beer, to be distributed by a wholesaler wherever there is a demand. If I can find a local pub serving Summerskill's Whistle Belly Vengeance, I shall certainly take a pint or so on its name alone. Just why Radio 4 should

hypnotise by a woman's clothes shop window, of a father and his 18-year-old son in a restaurant. His speech suggests Hemingway, intent on the significant detail, with vigour near-poetic phrases irradiating the straightforward idiom. We are to have more of Vollman, and I think it may be memorable.

Authors' week on Radio 3.

On Saturday, *Leps* gave

Vladimir Nabokov's pleasant

memories of catching butterflies - not live, alas, but

read by Hugh Dickson.

On Sunday, Somerset Maugham, though not exactly live, was heard in a recording of a live talk on his 80th birthday in 1954, dealing mostly with his previous 50 years. As a student, his flat cost him £8s. a week. A trip to Pisa, Florence and Venice was £30. Then he wrote *Liza of Lambeth*; and then he wrote *Lady Frederick*, which ran at the Royal Court for 18 months. The stammer we were accustomed to was no doubt edited out of the tape, for there was no sign of it. Next week, Compton Mackenzie.

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## An invitation to loiter with intent

Patricia Morison talks to Neil MacGregor, director of London's National Gallery

AT LEAST there remains one issue on which the Germans look to Britain for advice. Three years after reunification, the future of Berlin's museums is still being bitterly debated. Key speaker at a recent conference in Berlin was Neil MacGregor, director of London's National Gallery.

MacGregor explained to the *Financial Times* his belief that the same fundamental question now confronts those in charge of great public art collections, whether in Berlin or Buenos Aires. "What kind of relationship is possible between the public and their collections?"

"In most European countries, there has been a fundamental shift from providing for the local public to the international tourist". MacGregor's strongly held view is that this is a betrayal, tantamount to whoring after false gods. Great collections, which were in so many cases creations of the 19th century to benefit the local citizenry, should not at the end of the 20th century degenerate into "venue earners" from tourists.

MacGregor instances the Uffizi and the Pitti Palace in Florence as two museums which are now shrines to international tourism. Every visitor pays a £10,000 entry fee irrespective of whether they are students or residents. "Effectively, and allowing for hyperbole, Florence has been expropriated. Those collections could quite as well be anywhere else."

MacGregor is almost as critical of developments in Paris where he sees the Musée d'Orsay and the Louvre as "supreme examples of museums adapted to an international public". The public for which they cater is the average tourist with only three days in hand. As in all tourist museums, the emphasis is on fast "through-put" - and high expenditure.

At the Orsay, the former railway station now the museum of the 19th century, a *parcours* keeps the typical visitor running smoothly along the rails from circa 1800 to 1800. MacGregor sees poor labelling and lack of additional sources of information at the Uffizi, the Louvre and Rijksmuseum, as further proof of a stratagem aimed principally at "a world public".

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But there must always be a question whether the N.G. is, even so, really user-friendly. Ironically, in this month's Gallery newsletter playright Alan Bennett uses an invitation to enthuse about a painting (Mantegna's *Agony in the Garden*) to rehearse his doubts about the foot-aching experience of gallery-going.

"In a museum I am informed and instructed. But with art... I don't know. What am I supposed to think? What am I supposed to feel?" These are lines spoken by Chubb, the *Mis* man in Bennett's play, *A Question of Attribution*. How would MacGregor reassure the curious yet aesthetically insecure Chubbs among his public?

Give the pictures time, is his key advice to the naive visitor

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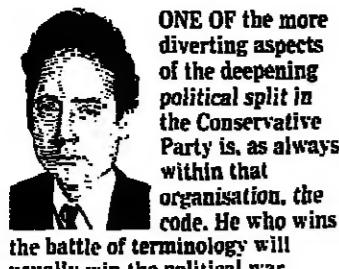
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12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.00 ITN News; Weather.	1.00 Film: Jewel Robbery. A sophisticated gentleman thief begins a romance with a baroness whose ring he has stolen. Starring William Powell and Kay Francis (1932).	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.05 LWT News; Weather.	2.15 Racing from Newmarket and Longchamp, including from Newmarket the 2.30 Cheltenham Handicap Stakes. 3.00 Cheveley Park Stakes. Sun Cheltenham Handicap. 4.15 Jockey Club and 4.45 Aintree Maiden Stakes' Stakes. Plus from Longchamp the 2.20 Cigars Prix de Royallieu. 2.50 Cigars Prix du Cadran. 4.00 Cigars Grand Critérium, and 4.35 Cigars Prix D'Or.	1.15 Border News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.15 Starling from Scratch.	2.15 The Life and Times of Grizzly Adams.	CENTRAL
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.20 Matlock.	2.15 The Life and Times of Grizzly Adams.	1.10 The Mountain Bike Show. 1.15 Central News. 1.20 Rockers. 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	2.45 The Life and Times of Grizzly Adams.	2.15 Racing from Newmarket and Longchamp, including from Newmarket the 2.30 Cheltenham Handicap Stakes. 3.00 Cheveley Park Stakes. Sun Cheltenham Handicap. 4.15 Jockey Club and 4.45 Aintree Maiden Stakes' Stakes. Plus from Longchamp the 2.20 Cigars Prix de Royallieu. 2.50 Cigars Prix du Cadran. 4.00 Cigars Grand Critérium, and 4.35 Cigars Prix D'Or.	1.10 The Mountain Bike Show. 1.15 Central News. 1.20 Rockers. 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.00 Knight and Day.	2.15 The Life and Times of Grizzly Adams.	CHANN
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.25 Animation Now.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.25 Film: Hawaii. Adaptation of James Michener's novel. A 19th century missionary imposes his beliefs on the islanders - with disastrous results. Starring Max von Sydow and Julie Andrews (1988).	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	6.10 Late Again. Highlights of the week including the playright John Byrne defending his play Colquhoun and MacBride.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	6.15 News and Sport; Weather.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	7.10 Rumours of Rula. Investigating the world of Oxford's 1000 year old university, returning to the theatre project to help a local community in the Philippines, and looking at the power-struggle within the charity - will the staff in India gain more independence from head office?	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	7.10 War and Peace Season: Introduction. A season of programmes examining the human cost of modern warfare, including documentaries, BBC drama and comedy, and British war films.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	8.00 Dame Edna's Neighbourhood Watch.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
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12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	8.15 Gaze of the Gorgon. Tony Harrison's verse commentary on the horrors of modern war.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	9.10 Testament of Youth. Re-run of the award-winning five-part series set during World War One.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	10.05 The Brain Drain.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	10.35 Film: Oh What a Lovely War. Musical satire about World War One, directed by Richard Attelborough. Starring Dick Bogarde, John Gielgud, Laurence Olivier, Vanessa Redgrave and John Mills (1969).	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	12.30 Film: Paths of Glory. Military drama. Kirk Douglas plays an American general who will do anything to win, even as deadly as warfare when he defends three soldiers accused of cowardice. Directed by Stanley Kubrick (1957).	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	12.30 Close.	2.15 The Life and Times of Grizzly Adams.	1.10 The 1952 2.00 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)

## SATURDAY

BBC1	BBC2	LWT	CHANNEL4	REGIONS
7.15 News. 7.30 Crime, Money, War. 7.45 Sport. 7.48 Animal. 7.50 List. 8.15 Chucklevision. 8.25 BBC Other. 8.30 Going Live.	8.00 Open University. 8.05 Film: Humoresque. 11.05 Film: The Love Test. 12.05 pm Film: Which Way to the Front?	8.00 TV Am. 9.25 What's Up Doc? 11.30 Movies. Movies. 12.00 The TV Chart Show.	8.00 Early Morning. 10.00 Quizbowl. 10.30 Games. Football news. 11.30 American Football: Play Action. 12.00 Get Smart. 12.30 pm Songs and Memories.	ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES: ANGLIA
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.00 ITN News; Weather.	1.00 Film: Jewel Robbery. A sophisticated gentleman thief begins a romance with a baroness whose ring he has stolen. Starring William Powell and Kay Francis (1932).	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.05 LWT News; Weather.	2.15 Starling from Scratch.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	1.15 Matlock.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
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12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.00 Knight and Day.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.25 Animation Now.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	3.25 Film: Hawaii. Adaptation of James Michener's novel. A 19th century missionary imposes his beliefs on the islanders - with disastrous results. Starring Max von Sydow and Julie Andrews (1988).	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	6.10 Late Again. Highlights of the week including the playright John Byrne defending his play Colquhoun and MacBride.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
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12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	8.00 Dame Edna's Neighbourhood Watch.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
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12.12 Weather.	2.20 In Search of the Dead. New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.	8.15 LWT News; Weather.	2.15 The Life and Times of Grizzly Adams.	1.05 Anglia News. 1.10 Kick Off. 1.30 You're Only Young. 1.45 The 1952 3.00 Granada News. 5.05 Border News and Weather. 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.30 The Neighbours. (1981)
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ONE OF the more diverting aspects of the deepening political split in the Conservative Party is, as always within that organisation, the code. He who wins the battle of terminology will usually win the political war.

At an earlier stage in the debate the semantic initiative was entirely with those within the party who favour European political and economic union. They managed to get themselves described by the media as "pro-European" so that their opponents were, naturally enough, designated "anti-European".

This gave the federalists the initiative: to be called "anti-European" is to suggest that one actually dislikes, en masse, the people who live in Europe; in terms of political correctness it is only one step up from being

## Cracking the Tory code

*Dominic Lawson interprets a most un-European language*

called racist.

I do not know which member of the Bruges group invented the phrase "Euro-sceptic", or when, but it saved the day for the Thatcherites. To be sceptical is to be intelligent in a thoughtful, Tory sort of way. And the adoption of the term by the press has meant that the opposing faction has come more and more to be labelled "Europhile". This sounds dangerously foreign, with a slight whiff of perversity.

It would not be the first time that the right wing of the Conservative party has won the war of terminology. In the 1980s the division was defined as being between the wets and the drys.

Certain dissenting cabinet ministers were described as being "so wet you could shoot snipe off them". The anti-Thatcherites never really recovered from the adoption of this particular code: no politician can for long survive being described as "wet", and indeed, few did.

In the European debate the rhetorical battle is by no means over. The federalists still have their famous European "train", the train which we must not miss, the train we must be in the van of, the train which must not be derailed, nor hit the buffers, nor pull into the sidings.

When the opponents of the Maastricht treaty manage to co-opt

an image as simple and appealing (and misleading) as the benevolent train they will finally have gained the ascendancy in the great debate.

But none of this explains the great mystery of why so many otherwise able politicians have become so emotionally attached to the idea of being, as they put it "at the heart of Europe". I have a sneaking suspicion that all stems from holidays. Europe means sun, good food and beautiful dark-haired women. It means not having to commute to the office, it means being liberated from the petty day to day problems of earning a living in a damp and rainy climate. This for the middle classes - which describes most

conservative MPs - is what Europe means.

But how many of them, I wonder, choose to spend their holidays in Germany? Perhaps the anti-federalists should begin to spread the idea that European union will be like having to spend one holiday a year in Germany. For there is no doubt that the recent fracas between Britain and Germany has been all to the benefit of the opponents of the Maastricht treaty, not because there has been a row - lovers always have those - but because the row has been with the Germans.

While newspapers such as the *Sun* have attempted to stir up a popular campaign against Jacques

Delors, it has not really taken hold. The fact is that the English cannot take the French seriously: this may be a hopelessly arrogant attitude but it is undeniably a fact: perhaps Napoleon died too many years ago. But one only has to imagine how British people would react if

Jacques Delors were a German to see how the debate could turn. No wonder then that John Major was so furious at the publication, through the *Financial Times* as it happens, of the Bundesbank President's strictures about Britain's conduct during the recent debate on the currency markets.

John Major, while devoted to the cause of European integration, understands only too well that if the language of the European political debate begins to be expressed in terms of Anglo-German conflict, then, in Britain at least, the Maastricht treaty is dead.

■ *Dominic Lawson is editor of The Spectator.*

## Not so secret service

*Michael Thompson-Noel*



I READ recently that the Russian security ministry, successor to the KGB, had been informed that Anatoli Sobchak, the live-wire mayor of St Petersburg, had offered Barbara Hay, the new British consul-general to that city, elegant quarters near the town hall in which to carry out her duties.

Local security chiefs claimed that cables carrying government information from the town hall ran under the building in which Ms Hay was to be ensconced. Andrei Korolkov, the ministry's liaison officer, said that a precedent "will have been set for the British intelligence service to secure access to classified information using various technical means and devices. This would not be a healthy development."

Anxious to have Ms Hay bedded down in her new quarters with minimum additional fuss, I rang Andrei this week and told him that if he would lay off Ms Hay, I would make it worth his while by radioing him, each week, a wad of intelligence news from London to offset any bits Ms Hay may glean by plugging, accidentally, perhaps while digging in the garden, into the security cables beneath her building.

"It won't always be classified information," I told Andrei. "But the items I send may go some way to balancing the flow of intelligence data between our countries."

First I worked out a code, using a British Rail timetable and encrypting my transmissions in five-digit numerical groups transformed

### HAWKS & HANDSAWS

using false addition (2 + 3 = 0) - by a second encryption. As a result, my first transmission to St Petersburg started "91207 49537 75432 10504..." At the other end, in a smoke-filled basement, my bulletin would have been decoded like this:

PRIME MINISTER JOHN MAJOR AND CHANCELLOR NORMAN LAMONT ARE ON THE VERGE OF BEING LAUGHED OUT OF OFFICE AFTER OPPOSITION LEADER JOHN SMITH DUBBED THEM THE LAUREL AND HARDY OF BRITISH POLITICS. DO YOU GET LAUREL AND HARDY MOVIES IN RUSSIA? IF SO, YOU WILL REALISE HOW WOUNDED MAJOR AND LAMONT MUST BE TERMINALLY, ONE IMAGINES LAMONT EXPECTED TO TOGGLE BEFORE CHRISTMAS, MAJOR BY MID-'93, UNLESS ENGLAND CRICKET TEAM VICTORIOUS IN INDIA THIS WINTER, IN WHICH CASE DISREGARD MID-'93 FORECAST AND SUBSTITUTE LATE-'93.

There was more in like vein, some of it quite perceptive. Then I sent off a bit about plans to disband the British Army's German-based 1st British Corp and merge it into a 12-national, rapid-reaction force to be known as the Allied Command Rapid Reaction Corps:

AS WELL AS SUPPLYING THE CORPS COMMANDER AND 30,000 TROOPS, BRITAIN IS PROVIDING A MAJOR GENERAL AS CHIEF OF STAFF - WIDELY TIPPED AS MAJOR GENERAL THOMAS WILLIAM HENRY STUART HAROLD KEITH D'ARCY D'AVIGORD DE FONTAINE DE BATH AND WELLS, BEST KNOWN IN MILITARY CIRCLES FOR HIS PROPOSAL TO ERECT A CIRCLE OF EARTH FORTS AROUND LONDON TO COUNTER ATTACKS AGAINST THE MONARCHY.

Mention of the monarch reminded me that I ought to update St Petersburg on the Queen's state of mind as she prepares to fill in her first income tax form:

QUEEN ELIZABETH II'S GLUM MOOD CANNOT HAVE BEEN HELPED BY NEWS FROM AMERICA ABOUT THE SCREENING OF THE MADE-FOR-TV FILM, *FERGIE AND ANDREW: BEHIND THE PALACE DOORS*. ACCORDING TO ONE NEWSPAPER: "PRINCE ANDREW APPEARS TO HAVE BRAIN-DAMAGE. ONE FEELS SIX MILES TALLER WHEN ONE IS AT SEA," HE SAYS.

Finally, I sent this snippet: SIR MICHAEL CHECKLAND, DIRECTOR-GENERAL OF THE BBC, NOW RECKONS THE CORPORATION'S DEFICIT IN THE CURRENT FINANCIAL YEAR WILL BE £1.55BN, DUE TO "FLAWS IN THE FINANCIAL ALLOCATION PROCESS" AND "COMPUTER ERROR". "IF IT HADN'T BEEN FOR RUTHLESS SACKINGS," SAID SIR MIKE, "THE DEFICIT WOULD HAVE BEEN £27.5BN AND RISING."

I informed St Petersburg that any diminution in the output of intelligence data from the BBC would be countered by increased output from my own transmitter.

■ Next week: results of Hawks & Handsaws' Little Rays of Light Across the Planet's Doomed and Plated Surface competition. Entries still flooding in last night.

Private View/Christian Tyler

## Philosopher at the farm gate

**H**OW GRATIFYING to meet a man who looks so much the part. Lean and leathery, over 6ft tall, with close-set eyes, a slow manner and an authentic drawl. Wendell Berry is every inch the city bumpkin's idea of a Kentucky farmer.

Berry could have stepped from a Norman Rockwell painting. But his homespun exterior belies a vigorous mind: he is a lecturer, poet and polemicist who inveighs against the rape of Nature by Man in prose that thumps as remorselessly as a die-stamping machine.

I asked him if he was a hillbilly. Berry bristled, then decided not to take offence. "Well, some people would call me a hillbilly. It's a term like 'nigger', not laudatory yet as an insult but it's a term of derision. It's used to denigrate country people and people who do fundamental work."

He was reared on a farm in Henry County, a tobacco-growing area of Kentucky, but Berry is less a farmer who writes than a writer who farms. Are you a gentleman farmer?

"No. Because I don't hire my work. I do it myself - and my wife. Or we swap work with neighbours."

For years more quoted than read in his own country, and little known outside it, Wendell Berry has been described as the best nature writer since Henry David Thoreau. His message, delivered with Old Testament certitude, is that man must learn to live according to nature's rules or destroy himself. He lives as much as he can without energy-consuming gadgets.

I referred to his latest essays and said: You're pretty tough on the rest of us.

"No. I'm tough on myself. There is no self-righteousness in that book. The issue is how to think about a national way of life that is wasteful - one I participate in just as avowedly in some respects as anyone else. I fly on airplanes, I drive an automobile. I'm hooked up to the utilities. I'm far from exempt from the evils I am talking about."

For fuel he burns wood from his 125-acre farm at Port Royal (pop. 130) on the Kentucky River, but uses a chainsaw to cut it. He has 15 acres of arable, grows vegetables, keeps a few cows and ewes and sells lambs in spring. He has no television. He works with horses and writes with a pencil.

"It's not that I rule out any particular piece of equipment," he explained. "It is that I would change the kind of consciousness that uses the equipment and the standards by which it is used."

Are you a Luddite?

"I wouldn't give priority to technical advance any more than I would to someone's profit or to the raw ambition of productivity. I understand why the original Luddites destroyed the weaving frame: they did it to defend their communities, and I would do the same, unhesitatingly... especially if I



could get away with it." He laughed.

Wouldn't people go bankrupt if they followed your principles?

"No, that isn't true. My farm is not exemplary. There are many Amish farms of 80 to 125 acres on which a decent living is made."

You're not suggesting everyone should live like the Amish.

"No, I'm not suggesting anyone lives any particular way. I'm suggesting that people have a responsibility to take care of the things they use, either directly or by proxy."

Berry talks calmly but writes savagely about corporate underlings, the medical industry, "industrial eating", (whose logical fulfillment would be a tube connecting our stomachs to the factory) and "industrial sex" (a crude tally of couplings and orgasms).

He grew up a Baptist and hereditary Democrat, cutting his dialectical teeth in arguments with his father, a lawyer-farmer. He goes to church but is a heterodox Christian. He cannot wait to vote against George Bush in next month's presidential election.

Why?

"Because he's given the country away. The drawing voice rose angrily. "He and Ronald Reagan

have collaborated to give the country away to the rich."

I tried hanging some labels on him. Aren't you simply nostalgic?

"I'm always accused of turning back the clock. You wouldn't tell an addict that he couldn't turn back the clock because health is somewhere behind him. What I'm talking about is the possible correction of potentially disastrous processes."

Are you out of date? Everyone's going green.

Nature? talists on the other."

Unprompted, he added: "I've been accused of being a Communist also. I've been accused of the whole political spectrum. I think the problem is I'm some kind of anomaly."

Berry is suspicious of modern environmentalists who oversimplify, sloganise and are ready to compromise. "When I write, I'm obedient not to the demands of any side, but to my own sense of what is required in this never-ending, never altogether satisfactory, effort to tell the truth."

What about the so-called holistic view of the world?

"Holistic" is a word I won't use, because it's gotten to be one of those slogan words. It's always seemed to me a word that compromised between disdain of a plain word like 'whole' and fear of a forthright word like 'holy'.

I try strenuously to avoid words like 'sustainable' and 'organic'.

When I talk about agriculture I usually say 'good', knowing, for instance, that there are good farms that may use a little herbicide.

Berry insists that modern economic nostrums are just plain wrong. We argued about the benefits of competition, of free trade, of international comparative advantage.

**Wendell Berry is suspicious of modern environmentalists who oversimplify, sloganise and are ready to compromise**

**That is not true. The industrialists will do nothing that they are not made to do. It was true in eastern Kentucky from the time the railroad first went in there and the coal started coming out. And it's still true.**

**Americans don't surely still believe God created them to shop?**

**Have you been to a mall lately? A lot of people in my country virtually live in malls.**

**Are you anthropomorphising**

**Are you really a sort of socialist?**

Berry paused. "I am fundamentally, I think, a kind of Jeffersonian Democrat. That is, I believe in putting small ownership of useable properties ahead of the interests of capital. I don't think that the behaviour of money in large piles ought to be permitted to destroy the security of small livelihoods. I'm highly sceptical of government solutions on the one hand and I'm highly sceptical of the claims of the capi-

talists on the other."

Unprompted, he added: "I've been accused of being a Communist also. I've been accused of the whole political spectrum. I think the problem is I'm some kind of anomaly."

Berry is suspicious of modern environmentalists who oversimplify, sloganise and are ready to compromise. "When I write, I'm obedient not to the demands of any side, but to my own sense of what is required in this never-ending, never altogether satisfactory, effort to tell the truth."

What about the so-called holistic view of the world?

"Holistic" is a word I won't use, because it's gotten to be one of those slogan words. It's always seemed to me a word that compromised between disdain of a plain word like 'whole' and fear of a forthright word like 'holy'.

I try strenuously to avoid words like 'sustainable' and 'organic'.

When I talk about agriculture I usually say 'good', knowing, for instance, that there are good farms that may use a little herbicide.

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these exceptional cases will have to be held by the community through appropriate panels in partnership with the best medical advice. Death is not a medical responsibility. It belongs to all of us.

The case of excessive pain is not the only one that will come to claim the panel's attention. There is a continuum through irreversible coma, Alzheimer's, to premature senile dementia and on to mental handicap and inconvenient old age. This is the dreaded slippery slope. But the social pressure to move on to that slope is already irresistible. Many doctors are standing at its upper edge. Legal enforceable guidelines or legally constituted panels are the only bulwark against the slide.

The ethical problem in these cases is rather different but if we do not address it and find an acceptable legal protection for it I believe we will find people taking their own lives and the lives of their dear ones into their own hands. Less benign agencies may follow.

What totalitarian regimes or venal doctors might get up to once the wall is breached is certainly frightening but I do not think they will be deterred more in the future than they have been in the past by us shouting the Sanctity of Life into their unheeding ears. Tight legislation will do more to save life and provide useful death than any abstract nouns.

## Truth of the Matter

### The quality of mercy

would agree. In spite of much loud advocacy from Christian protest groups, I do not find the Absolute Sanctity of Life written anywhere in scripture or tradition. "Thou shalt not kill" means "no murder". But killing abounds in the Old Testament. The long held concept of The Just War has a respectable place in Christian moral theology, and was much in play in the months leading up the Gulf War.

So the Sanctity of Life seems easily suspended when more urgent interests supervene. There are more than 100,000 Iraqi corpses, (mostly unburied peasants) in the desert sands following the Gulf War - but then a good deal of holy oil got spilled as well. For, whatever we may say, most of us, governments and terrorists alike, believe and act on the belief that there are a good many other things further up the sanctity scale than human life. Other abstract nouns, no doubt.

But when I come to lie in mortal pain, I don't want any abstract noun standing between me and merciful oblivion. I have had enough experience of pain in my 60 years inside this creaky body to be

concerned of "double effect". In this case we have two effects: pain killing and life killing. It is morally acceptable for a doctor to administer a drug to kill pain even if the immediate or longer-term consequence is the death of the patient. It is morally unacceptable for a doctor to administer a life-killing drug as a way of ending pain. A + B is alright, B + A is not. It is a subtle line, you may think, between "kill to end the pain" and "kill the pain and so end the life".

But it is one on which their solemn oath and our essential trust in our doctors stands or falls. It is too dangerous to allow mercy killing to go on *ad hoc* amid a kindly conspiracy of silence among the medical profession.

The conclusion I draw from this, though with some trepidation, is not that euthanasia in such circumstances must be always banned. It is rather that the burden of